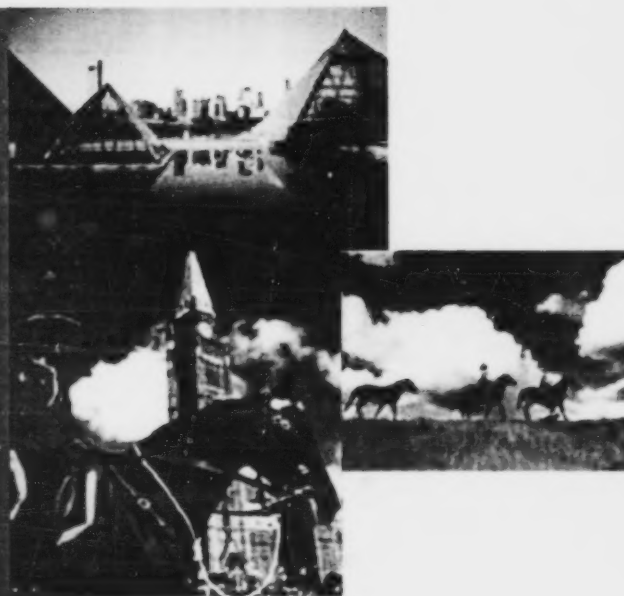


Overview – The Road To Success

The Canadian Tourism Commission combines active work in facilitating supply (product development) and building demand (marketing). It is one of only a few national tourism organisations in the world to do so.

Six markets comprise 90 per cent of the total of Canada's tourism receipts and tourist arrivals. These markets are Canada, United States, United Kingdom, Japan, France, and Germany.

Five product clusters underscore the marketing efforts of the Canadian Tourism Commission. These product clusters are touring experiences, city, outdoors, winter, and culture experiences.



2003 – Year of Challenge

2004 – Year of Rebound

2005 – Year of Growth

Overall Goal

2003 – 2005

*To maximize return on investment for
all resources associated with the CTC
resulting in a 21.6% or \$4.5 billion
targeted increase over 3 years in
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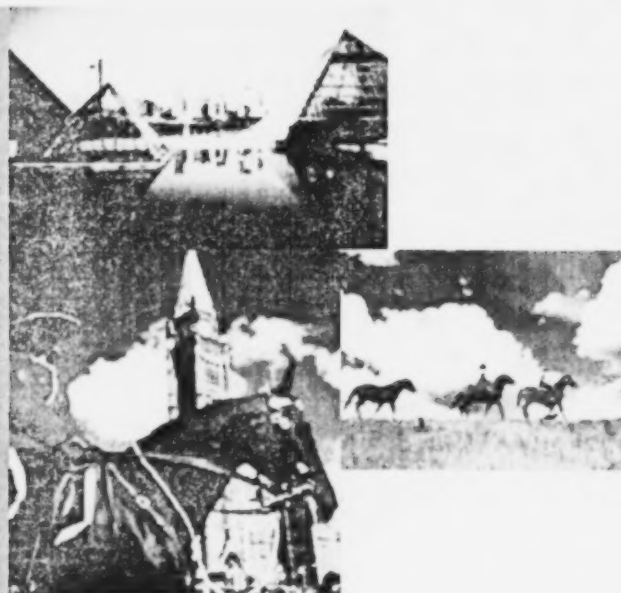
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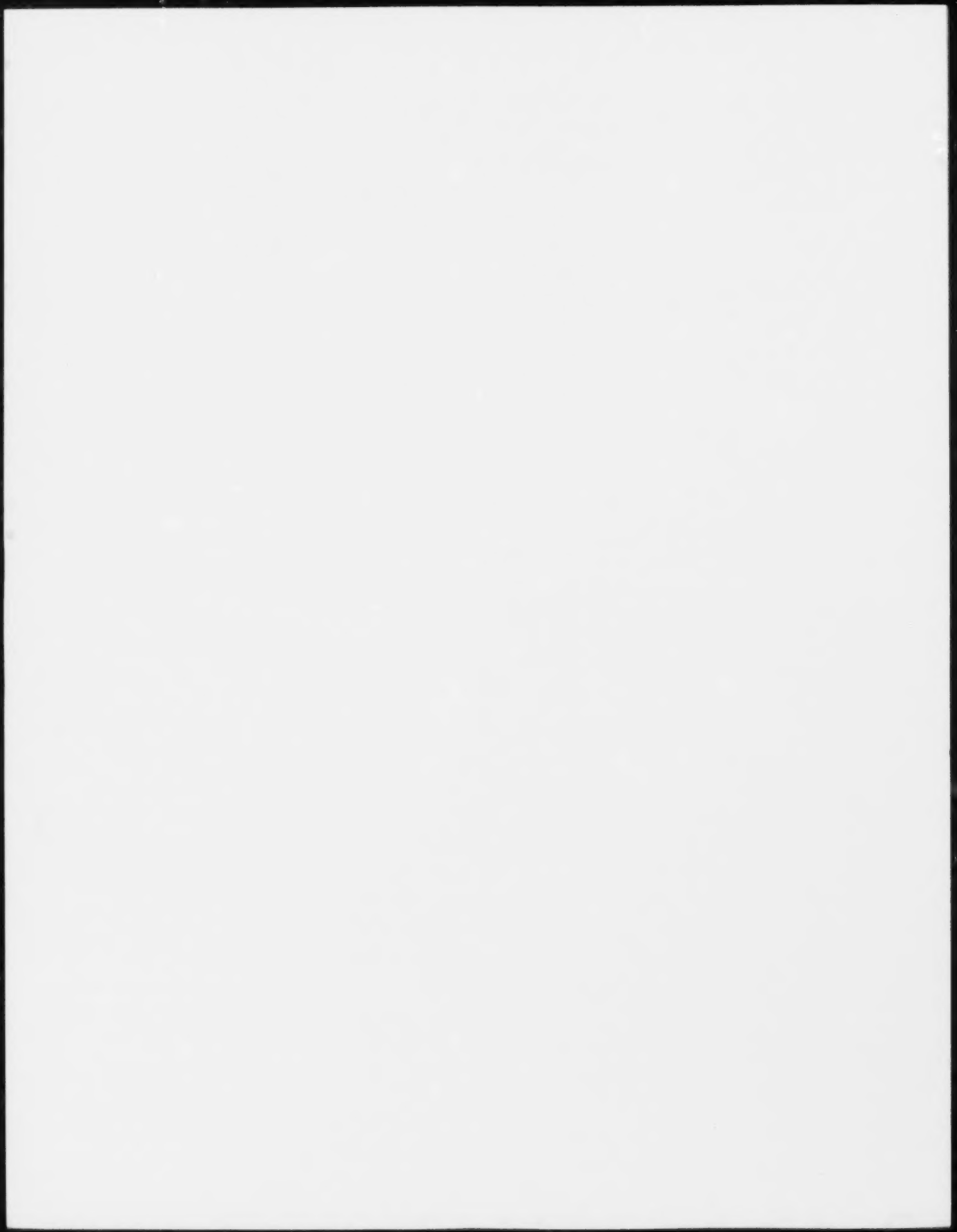
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The Road To Success

Industry-led, market-driven, and research-based, the mission of the Canadian Tourism Commission (CTC) is to increase awareness of and interest in Canada as a four-season tourist destination. To achieve this mission, the CTC has set seven key objectives. Namely:

- sustain a vibrant and profitable tourism industry,
- market Canada as a desirable tourist destination,
- build a strong Canada brand in domestic and international market places,
- assist the Canadian tourism industry to develop products and services that satisfy international demands,
- support a co-operative relationship between the private sector and federal, provincial, and territorial governments in Canada with respect to Canadian tourism,
- provide information about Canadian tourism to the private sector and federal, provincial, and territorial governments in Canada, and
- use its research capability and in-market staff to provide information on global markets to the Canadian tourism industry.

Moreover, the CTC has adopted a bold vision – to become the leading destination marketing organisation in the world.

To make this vision a reality, the CTC will invest more than \$80 million each year for the next three years to attract foreign tourists to Canada and to inspire Canadians to travel in Canada. Specifically, the CTC will use these resources to improve Canada's competitive position and market share in major international markets, develop marketing campaigns to generate a high level of tourism revenue in Canada, and provide the Canadian tourism industry and federal, provincial, and territorial governments in Canada with the latest and most relevant tourism industry information and data.

The CTC maintains a total of 169 staff – 98 people in Ottawa and 71 representatives positioned in key markets around the world. The staff in Ottawa works closely with its industry partners to co-ordinate and manage CTC programs. CTC representatives abroad are responsible for the implementation and delivery of an aggressive, comprehensive, and integrated marketing program. The knowledge of Canadian tourism and the understanding of foreign markets and relationships with foreign tour operators possessed by our international representatives are crucial to the success of the CTC.

2003 "The Year of Challenge" will see the further implementation and input of four new strategic directions. They are:

- Focus on media and public relations;
- Emphasis on events/promotional marketing;
- Increased experiential marketing; and
- Re-engineering the CTC Web sites.

While 2002 was destined to become a year of regaining our losses and returning to a sense of normalcy, 2003 will be a year of challenge, building on the introduction of new directions and re-inventing the way the CTC goes about its business. This is not a reflection of its past success but more importantly it is a preview of current and future competitive forces.

Specifically, this strategic plan is a road map that the CTC began in 2001 and will use to undertake and complete its next three year journey. The plan sets out the context within which the 2003-2005 strategy was devised, and it provides details regarding the new initiatives and enhanced programs that the CTC will use to achieve its key objectives.

The journey continues with 2003 – Year of Challenge flowing to 2004 – Year of Rebound. It ends with 2005 – Year of Growth.

2003 – Year of Challenge

Factors and situations we will address:

- extremely limited financial resources need to be both rationalized and prioritized among programs and markets
 - aggressive partnering to maintain a critical means of support
 - realities of the market place are forcing us to change our marketing mix
 - innovation and risk taking need to be encouraged to be on the leading edge of world marketing techniques
 - management systems must be timely, relevant, efficient, cost effective, and client centric

1. Where the Journey Begins

Tourism Receipts Explained

To understand where the CTC wants to be in the future, it is important to know, in terms of travel to and within Canada, where tourism is today.

The markets that contribute to Canada's tourism receipts are distinct. In 2001, 90 per cent of overnight travel receipts originated from six major markets: Canada (domestic travel), United States, United Kingdom, Japan, France, and Germany.

The sections below offer estimated international and domestic statistics for the year 2001. It should be noted that this period covers the events of September 11 and resulting impacts.

International Travel to Canada

In 2001, Canada hosted 19.6 million international overnight arrivals which injected \$13.1 billion of foreign earnings into the Canadian economy, excluding air fares. The United States remains the dominant market, totalling 15.5 million overnight trips to Canada, resulting in \$8.1 billion in receipts.

	Overnight* receipts (in M\$)	Percent Change 2001/2000	Overnight* trips (000's)	Percent Change 2001/2000
Total U.S.	6,470	14.3%	13,252	3.0%
Total Europe	2,767	0.5%	2,334	-6.1%
United Kingdom	985	-1.9%	837	-3.4%
France	440	5.1%	358	-10.8%
Germany	429	3.9%	344	-11.9%
Switzerland	168	15.6%	98	-6.6%
Netherlands	153	4.2%	117	-9.8%
Italy	138	3.6%	93	-16.3%
Other Europe	454	-7.8%	478	-0.8%
Total Latin America	476	-11.7%	389	-2.9%
Mexico	195	8.1%	150	5.1%
Brazil	52	-53.0%	40	-22.4%
Other Latin America	229	-16.1%	199	-26.0%
Total Asia/Pacific	1,769	-0.4%	1,314	-9.5%
Japan	542	-5.5%	412	-17.6%
South Korea	236	34.8%	143	6.8%
Australia	216	-3.8%	164	-5.3%
Taiwan	197	-19.8%	124	-28.6%
Hong Kong	167	23.5%	124	-10.4%
China	137	24.5%	82	10.7%
Other Asia/Pacific	274	-12.5%	265	1.2%
Total U.S. MC&IT	1,626	-8.8%	2,277	-3.4%

*Preliminary Estimates

Canadian travel picture

Domestic Travel within Canada

Travel by Canadians within Canada is the most important source of tourism revenue in the country. In 2001, it is estimated that Canadians travelling in Canada made 78.1 million trips, spending over \$17.2 billion on overnight travel in the process. Of the domestic total, 15.9 million trips were made between provinces, accounting for 49 per cent of the domestic travel expenditures. (The CTC has an interest in only inter-provincial travel. Intra-provincial travel is the responsibility of the provinces and territories.) In fact, inter-provincial travellers spend almost four times more on a daily basis than do intra-provincial travellers. Growth in this area—particularly in the shoulder and low seasons—significantly contributes to the well-being of the Canadian tourism industry.

Outbound Canadians

In addition, Canadians frequently travel abroad. In 2001, Canadians took 18.1 million international trips. Eight per cent of the Canadian population aged 15 and over took an overnight non-business trip to countries other than the US. Fourteen per cent took an overnight trip to the US. Despite a decline, the United States is the most popular destination for Canadians travelling abroad, accounting for 13.5 million or 73 per cent of the total international outbound trips in 2001.

Canadians spent \$15.5 billion on international travel in 2001. According to research estimates, Canadians travelling abroad spent approximately \$4.5 billion on travel products available at home—especially during spring and summer. With effective marketing efforts, a number of Canadians outbound to the United States could be convinced to travel at home rather than abroad, keeping this spending in Canada.

Canadian Domestic and Outbound Tourist Travel

	2001 Tourist trips in '000	2001/2000 in %	Expenditures in 2001 in B\$
Domestic travel*	78,125	1.1%	\$17.2
Inter-provincial	15,859	2.6%	\$8.4
Intra-provincial (outside CTC scope)	62,266	0.7%	\$8.8
International Canadian Outbound Travel**	18,350	-4.2%	\$15.5
To United States	13,518	-7.7%	\$8.5
To Overseas	4,832	7.0%	\$7.0

* Preliminary estimates.

** CTC estimates from National Tourism Indicators due to absence of accepted Canadian Travel Survey data.

2. The Changing Landscape

Emerging Tourism issues in Canada

Loss of Competitive Position

The loss of competitive position or market share is our primary concern. This issue will require sustained effort, including a fundamental review of our marketing programs and partnerships resulting in some shift of resources.

While revenues related to overnight international travel to Canada have grown in recent years, our competitive position in this sector has eroded. This is evident in four of our five largest markets – United Kingdom, Japan, France, and Germany. Together, travel to Canada from these markets accounted for 18.3 per cent of Canada's overnight international receipts in 2001.

The following table outlines the decline of Canada's competitive position. It represents a measurable opportunity cost of \$375 million in international receipts from these four key markets alone.

Changing Travel Environment

While security continues to be an important consideration in the selection of a destination, the economy has now been identified as the major variable affecting travel decisions.

Notwithstanding, it is believed that fear of air travel, reluctance to endure long waits, desire to spend more time at home with family, and, the insularity in the United States will continue to have a sizeable impact on the inclination to travel.

Clearly, encouraging travellers to travel by air to Canada will need to focus (albeit indirectly) on issues of security and personal safety as well as the specific features and benefits of a travel experience.

Notwithstanding the above and recognizing the impact of the aforementioned events, it is believed that Canada has gained from the positive spillover of its successes at the Olympics and secondly, being viewed as a safe, secure, close to home destination. This positive spillover has impacted on Canada's awareness level as a travel destination and it is incumbent on us to build on that awareness momentum and keep strengthening it.

Major International Market Performance from 1996 to 2001

	US	UK	Japan	France	Germany
Average yearly market growth (%)	3.0	9.2	-2.2	-1.2	-1.1
Average yearly growth rate in travel to Canada (%)	4.0	3.9	-6.9	-3.7	-4.6
Canada's share from 1996 to 2001 (%)	From 28.7 to 30.2	From 11.3 to 8.8	From 7.1 to 5.2	From 13.0 to 10.9	From 9.1 to 7.4
Canada's competitive position (%)	+5.2	-22	-27	-10	-19
Loss/Gain of revenue opportunity in 2001	\$302M	-\$285M	-\$198M	-\$91M	-\$100M

More Aggressive Competition

With globalization, additional countries are now aware of the importance of tourism to their economies. As a result, these countries have increasingly targeted international tourism markets, augmenting their investment in marketing to attract international visitors and increase foreign earnings.

Canada's major competitors in overseas markets are the United States, Australia, New Zealand, and South Africa. The marketing investment of the CTC is low relative to competing destinations. The CTC has the lowest ratio of marketing investment to international receipts.

In addition, the marketing investment in 2000 made by the American states was over 19 times higher than the CTC totalling some US\$1.02 billion. This does not count the tourism marketing investments by American cities which spend much more than their state counterparts. Also, the CTC

invested less than 50 per cent of what the Australia Tourist Commission spent on tourism promotion. In 2001, marketing investment by the CTC in international markets represented one-third of one per cent (0.32%) of the total international receipts collected during that year. This percentage is lower than the ratio of any of Canada's key competitors. This may account for a portion of the loss of market share in a growing industry.

The United Kingdom offers a telling illustration of Canada's fierce competitive environment. Tourists from the United Kingdom resulted in more than \$1 billion in receipts to Canada in 2000. Efforts to protect this market, however, fell short of the advertising efforts made by our competitors to attract it. Further, the British Government has announced a \$60 million rescue package for the tourism industry. The bulk of these additional funds will go to publicizing Britain abroad and their goal is one million additional international visitors.

Marketing Investment ⁽¹⁾ (Millions Can\$)

	1996	1997	1998	1999	2000	Ratio ⁽²⁾
Australia	98.6	83.2	90.2	106.5	108.2	0.97%
New Zealand	43.5	46.6	36.1	42.9	43.4	1.4%
South Africa	13.0	13.1	13.8	15.6	20.0	0.51%
Canada - CTC	36.3	46.4 ⁽³⁾	40.4 ⁽⁴⁾	42.1 ⁽⁵⁾	52.4 ⁽⁶⁾	0.32%

(1) For comparative purpose, the CTC figures related to marketing investment exclude wages, salaries and overhead costs. Therefore, these figures are not consistent with the budget figures provided later in the document.

(2) Per cent of marketing investment to overnight travel receipts in 2000.

(3) The CTC had an additional injection of government funds of \$15 million of which \$5 million was spent on CTC.

(4) Decrease from previous year due to expenditures for development of Strategic Vision and transition costs.

(5) Expenditures were incurred for transition costs.

(6) The CTC had an additional injection of government funds of \$10 million.

Advertising Expenditures by Competitors in the United Kingdom (Million Can\$)⁽¹⁾

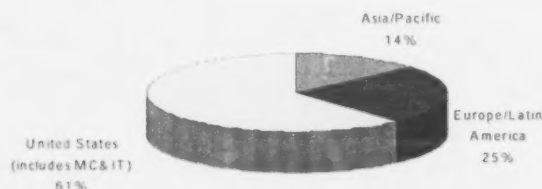
	1996	1997	1998	1999	2000	5-yr total
Australia	2.958	1.93	3.743	4.369	7.775	20.775
South Africa	-	-	-	-	7.5	-
New Zealand	0.35	1.427	1.1041	0.671	1.217	4.769
Thailand	0.647	1.425	1.0	0.822	1.37	5.264
Canada - CTC	0.132	0.913	1.27	0.903	1.418	4.636

(1) Data related to competitors advertising expenditures were provided by the CTC advertising agency in the United Kingdom.

The above table over a five year period compares Canada advertising expenditures (CTC and partners) in the United Kingdom with the expenditures of other competitors. The advertising presence of the Canadian tourism industry in the United Kingdom has been lower than our five major competitors. By 2001, Canada's share of this market has deteriorated over time as well, dropping from 11.3 per cent to 8.8 per cent, an estimated loss of \$285 million in foregone revenue.

Too Few Eggs in Too Many Baskets

Figure 1: Share of Canada's 2001 International Overnight Receipts



Six markets comprise 90 per cent of the total of Canada's tourism receipts and tourism arrivals. These markets are Canada, United States, United Kingdom, Japan, France and Germany.

Of international tourism markets, Canada is concentrated largely in the United States. The United States provides over 60 per cent of Canada's international tourism receipts. While this level of concentration offers a relatively secure source of international receipts for Canada, it increases Canada's commercial vulnerability to a major downturn in this market. Accordingly, Canada must address a twin challenge: to secure existing business from its current market base, and to expand promotional efforts to develop alternative sources of tourism earnings in markets other than Canada's six major international markets.

Canada must judiciously review all its activities in every market to ensure that the greatest return on investment is achieved. To this end such a review was conducted in Argentina resulting in the closing of the CTC office in Buenos Aires and the cessation of marketing activities in Argentina.

Further analysis indicates a need for a shift in resources in some markets. We are concerned about the ability of New Zealand and South East Asia to contribute to ROI, as growth there is not expected to be significant. China, on the other hand has strong growth potential once approved destination status (ADS) is achieved.

Overcoming the 'cold and boring' stereotype

Canada continues to suffer from some negative perceptions. According to market research, there is a low level of awareness of Canada internationally. Where it is known, Canada is often perceived as boring and stereotyped as inhospitable due to its cold climate and vast wilderness.

In overseas markets, Canada is often eclipsed by the United States, felt by travellers to be dull and not "à la mode" and far short of the excitement for which the United States is renowned. At the same time, Canada is seen as lacking the culture and rich history of Europe, the frontier spirit of Australia, or the exotic appeal of countries like South Africa or Russia, which have only recently become more accessible to foreign visitors. Overcoming negative perceptions about Canada, let alone building awareness generally, will require large commitments of money and time, especially in an age of world wide information overload, and up against the vast marketing efforts now being made by competing destinations.

Fighting the Price-Point Battle

The upward pressure on the prices of travel packages to Canada has eroded Canada's price competitiveness. Travel in Canada has become relatively more expensive than other goods and services. Since 1995, the travel price index in Canada has increased by 21.4 per cent, much faster than the consumer price index, which increased by 8.9 per cent in the same period. Hikes in the cost of the main components of travel are factors that contributed to the increase in travel prices.

This situation has been aggravated in several markets as a result of a drop in the rate of currency exchange. Between 1995 and 2001, currencies in Germany, France, and Japan lost an average of 25 per cent against the Canadian dollar. As a direct result, travel packages to Canada from these countries became more expensive or the content of travel packages to Canada had to be reduced to reflect appropriate value for money. In each case, the result was neither advantageous to the traveller nor Canada.

Knowing What Visitors Want

International tourism demand has changed substantially over the last five years. Despite deteriorating economic conditions in Canada's major international markets - particularly Asia/Pacific and Europe - international outbound travel from these markets has continued to grow, albeit at slower rates. Several factors have stimulated demand:

- the emergence of experience based travel,
- an ageing population with more time available for leisure,
- a larger amount of disposable income allocated to travel,
- greater air access to Canada, and
- increasingly accessible travel information via for example the Internet.

These changes are forcing a reassessment of how marketing organisations cater to travellers' needs. Canada must change its emphasis, too. The level of advertising dollars alone has weakened our competitive position. We must improve the effectiveness of the dollars that we spend.

Clearly, factors affecting both the decision to travel and the choice of destination are changing. More tourists are looking for a specific experience rather than a destination. Learning vacations, spas, bird watching, and gastronomy and horticulture tours have grown significantly in the last five years. While not much is available to measure the growth of this trend, tourism publications and promotional literature are already shifting focus in response to the demand. We will use the limited data available to work on development of the Product Portfolio Analysis.

Refreshing Our Line of Product Offerings

In many of our traditional markets, travel packages and product offerings are outdated and often do not respond to consumer needs. Indeed, thanks to the Internet, even the travel consumer has changed in the past decade. As a result of the one-to-one marketing opportunities offered by the Internet and an increasingly sophisticated array of niche media, the idea of a "generic tourist" has disappeared. Experiential marketing opportunities found in adventure, cuisine, gardens, and spas need to be more fully explored.

The range of Canadian product offerings and travel packages is limited to traditional experiences and destinations based on "lots to see and do in Canada". They do not include specific innovative products and experiences. New travellers, emerging as the result of changing social, economic, and demographic conditions may find innovative products and experiences

attractive. Unless the promotional products of the Canadian tourism industry are expanded and experiential products incorporated, the current line of promotional products will perpetuate the negative perceptions of Canada. Not only must these new products be available, but we must strongly position Canada where it is competitive and market ready.

For example, Costa Rica is the eco-tourism destination of the Western hemisphere – not because it offers a superior product, but because it has positioned itself that way. For wine and cuisine, Napa, California is a similar example. Without properly positioned product offerings, Napa is just another small and relatively unremarkable northern California valley.

We will take advantage of the research made available from the Tourism Attitude and Motivation Study (TAMS) conducted in 1999/2000, along with the valuable personal research capability provided by the Internet, and develop and position new "Experiential" products. Using these new products, we can begin to reverse the loss of our competitive position.

If we are not able to invest in as much marketing as our competitors, we must outsmart them. By utilising our committee strength, research, product development, and marketing and sales forces we can position and package our product offerings to greater effect. The Niche Products Marketing Task Force and an experimental response to the significant challenges brought about by emergence of experientially motivated travel.

In turn, the Canadian tourism industry can benefit by developing new product offerings catering to specific kinds of customers. International travel to Canada from major markets is characterised by a high proportion of return visitors. This further emphasises the need to expand our tourism product by offering new experiences and travel packages that feature new Canadian tourism assets.

Progress to Date

Loss of Competitive Position: Market share loss greatest concern across most markets.

Changing Travel Environment: Better understanding of travel environment, economy main factor, fear secondary factor, air seat capacity reduction factor, inclination to travel returning and gaining momentum.

More Aggressive Competition: Still a factor and growing.

Too Few Eggs in Too Many Baskets: Withdrew from one unproductive market, analysis indicates a need for a shift in resources in some other market regions.

Overcoming the "frozen north" stereotype: New marketing programs specifically designed to counter stereotypes.

Fighting the Price Point Battle: Still sensitizing industry to the fact Canada is an expensive destination and prices must be watched.

Knowing What Visitors Want: Better understanding of consumer wishes, staying close to home and experiential travel most important.

Refreshing Our Line of Product offerings: Niche Product Marketing Task Force evolving, 23 product clubs have graduated, 28 new proposals received, direct link being established between cultural products and tourism.

3. Progress on Priorities

Adjusting to Warning Signals

Getting to Know Our Customer Better – More and Better Research

While the CTC carried out market surveys regarding consumer perceptions, behaviours, and travel patterns in every major international market over the last three years, there is still a need for us to get to know our customers better. This is particularly true in the current turbulent market environment. Specific research is required to identify the consumer segments that are more likely to travel in the current socio-economic environment. Following this, we must identify ways to trigger their interest in Canada as a potential destination, what elements must be communicated in order to enhance their interest in Canada, and how these customers can be reached most effectively.

The CTC must conduct research to acquire more in-depth knowledge of the supply side. We need to improve our ability to seize investment opportunity by developing the capacity to measure the economic impact of investment decisions. CTC sales offices abroad are also used to provide market intelligence and to monitor the level of consumer and traveller confidence on a short term basis.

To date an impressive array of market surveys have been conducted on customer's perceptions, behaviours, travel patterns, as well as, travel triggers. Currently approximately 6 per cent of the overall CTC budget is allocated to direct research both micro and macro. Other less direct research such as focus groups is also conducted in every market. This percentage will be maintained and the output of this activity will be evident throughout the plan. In addition all Market Research budgets and activities will be directly under the control of the various Marketing Committees.

Market Portfolio Analysis – A New Tool to Identify Priorities

The CTC developed a Market Portfolio Analysis (MPA) model to help evaluate the potential and performance of markets and then establish priorities based on the results. Work is still underway to expand the scope of the MPA to include priority settings for experiential product clusters and create a Product Portfolio Analysis (PPA).

Based on eighteen variables and attributes within three frames of reference, the outcome of the model provides a framework for classifying markets according to a tier structure. Using the 2000 data regarding overseas markets, the MPA model provides useful insight on the qualification of CTC target markets.

Also, the CTC is working on a version of the MPA model that can be adapted to new product cluster areas. In the past, we have built the brand around "lots to see and do in Canada". With the increasing use of the Internet by the international consumer for personal travel research, we will need to position effectively the most competitive of our travel experiences. We will do this with the help of the PPA model.

The product development strategies and market research work of the CTC will also be affected. No longer can we assume that a travel decision is motivated strictly by the destination. Often, the motivating factor will be an experience (either a theme or an activity) rather than a specific destination.

The Market Portfolio Analysis model has evaluated the potential and performance of markets. Current overseas rankings place the United Kingdom first with a ranking of 100, followed by Japan at 67, Mexico at 54, France 40, and Germany 39. Brazil is

Market Portfolio Analysis – Overseas Markets Ranking by Index*

Tier 1 markets

United Kingdom	100
Japan	67
Mexico	54
France	40
Germany	39

Tier 2 markets

Taiwan	37
Australia	33
Hong Kong	32
South Korea	31
Netherlands	30
Brazil	29
Italy	28
China	28
Switzerland	27

Tier 3 Markets

Southeast Asia	25
New Zealand	24
Scandinavia	23
Belgium	22
Spain	21
India	20
Argentina	19
Austria	15

* Post September 11 evaluation

Market Portfolio Analysis - U.S. Markets Ranking by Index*

U.S. Markets		U.S. MC&IT	
Pacific	100	Pacific	100
East North Central	99	South Atlantic	94
Mid Atlantic	82	Mid Atlantic	92
South Atlantic	76	East North Central	85
New England	62	West South Central	66
West North Central	48	Mountain	61
Mountain	44	West North Central	54
West South Central	42	New England	53
East South Central	40	East South Central	40

* Post September 11 evaluation

Market Portfolio Analysis Rated Variables

Size	Performance	Potential
Overnight Travel Receipts	Net Change Receipts (1995-2000)	Receipts Potential
Receipts per Trip	Net Change Receipts (Pleasure Travel 1995-2000)	VFR Proportion (Absolute Value)
Receipts per Night	Net Change Overnight trips (1995-2000)	Shoulder Season Proportion (Absolute Value)
Overnight Person-trips	Net Change Total Long-Haul Outbound (1995-2000)	Potential with Prime Competition
Person-nights	Market Share Ratio	Air Seat Capacity (2000-2002)
Air Seat Capacity	Average Partnership Ratio (1998-2000)	Outlook 2002

ranked at 29, Italy 28, and China 28. Moving to tier three markets, South East Asia is ranked 25, New Zealand 24, Scandinavia 23, Belgium 22 and Spain 21.

Given the results of this model and given the need to manage resources better it is proposed that the investment level for a number of markets be examined and shifted.

The Leading Edge - The Internet

The development of an internationally competitive consumer site and more effective business to business site are priorities of the CTC. To meet the challenge of fiercer competition and to respond to the needs of the Canadian tourism industry, these priorities are crucial to success.

Internet development can stimulate demand for travel by improving the access to travel information, facilitating travel plans and allowing potential tourists to book trips online. According to surveys carried out in Canada's major

international markets, the internet ranks very high for use to research, plan and book travel and is becoming an increasingly influential media to help customers choose a destination.

In fact, in the U.S. in 2001, the internet became the single largest consumer retail e-commerce category with sales at \$U.S. 20 billion. Over 27 million Americans have purchased travel online and 21 million say they usually purchase online. For 69% of online travelers, the Internet was their main source of research and 30% claimed that the Internet actually influenced their travel decisions. A recent study from Expedia Canada and Ipsos-Reid of 700 Canadians claimed that 80% of those surveyed said they prefer to research their own travel plans, rather than rely solely on a travel agent.

The 2003 e-marketing strategy is in place and founded on five pillars: website redesign, maintenance and international localization, e-marketing, partnerships, communication/reporting, and corporate site and CTX. E marketing programs must integrate seamlessly with all the CTC's diverse marketing programs.

Website Redesign

A redesigned bilingual website (travelcanada.ca) will be launched in May 2002. The websites must be the focal point of e-marketing programs and become one of the most valuable CTC assets. Translation and localization of the international websites will then begin with major English and French speaking markets followed by Germany and Japan to be completed by the end of 2002. For 2003 an extensive analysis of internet penetration combined with portfolio analysis and strategic fit in subsequent overseas markets will determine the completion of the translation and localization of the web site by 2003.

Website Marketing

The new website will be positioned as the "official web site of the CTC". It will be launched internally, within the industry, and internationally using events, press releases and advertising as promotional vehicles. Web-branding protocols will be followed to incorporate the website's address into all online and offline publications of the Canadian Tourism Commission. For 2002, an extensive website launch marketing campaign will take place in Canada and the US to create awareness of the new site and encourage visitation. So that the website address appears as one of the top ten choices when searching on "travel and Canada", the Canadian Tourism Commission will invest in search engine and directory positioning. For 2003 to 2005, web marketing and search engine positioning will play an important role in keeping the CTC website top of mind among consumers. Similar campaigns will roll out for the launch and maintenance of international web sites.

Email Marketing and Database Marketing

As part of its online and traditional marketing strategies, the Canadian Tourism Commission will compile a database of names, addresses, email addresses and travel preferences from those who call or email either to order a travel guide, download a travel guide from our web site, or sign up for an e-newsletter. Using these data, the Canadian Tourism Commission will build a database segmented by a number of demographic and psychographic variables and market to these consumers using targeted newsletters and other direct-marketing campaigns.

Partnerships

The Canadian Tourism Commission will develop partnerships with online travel trade and other non-traditional partners, such as Travelocity, Orbitz, and Excite, and major portals, such as AOL, Lycos, Sympatico, and canada.com. Many of these travel portals welcome millions of visitors to their web sites each month. In particular, travel mega sites like Travelocity and Orbitz have a tremendous opportunity to influence the travel behaviour of visitors to their site. In 2003 to 2005, partnerships with these online travel agencies will be an extremely important part of the CTC's e-marketing mix. In particular, the CTC will develop partnerships that share content or include offers either to visit our website, sign up for our e-newsletters, or request a travel guide or respond to a special offer from our partners.

Communications and Reporting

In 2002, the Canadian Tourism Commission will establish routine benchmarking metrics, including site visits, origins of visitors, number of page views, preferred website pages, and other e-marketing metrics relevant to marketing programs. The CTC will routinely and clearly communicate to program officers results and analysis of these metrics, and use the analysis to fine-tune e-marketing programs throughout 2002 to 2005. See "Measuring Performance" for a list of planned metrics.

Corporate Site and CTX

The Canadian Tourism Commission will evaluate its original method to communicate to industry and stakeholders using the corporate site-CTX and a number of offline vehicles. The results of the evaluation will help the CTC redesign its industry-communications programs to increase the awareness of the features and benefits of its business site and to encourage frequent visits and subscriptions to our industry programs. The objective is to construct a website that clearly communicates the leadership position of the CTC in the travel and tourism industry. Recommendations will be made on the future direction of industry communication by October, 2002 with recommendations implemented by the end of Q1, 2003.

Planning Assumptions

The Internet is expected to reach one-billion users worldwide in 2003-twice the number of users in 2001. The Internet is expected to continue to influence travel and tourism becoming the primary medium consumers use to research travel destinations. The Canadian Tourism Commission expects that an increasing amount of marketing budgets will be dedicated to the Internet given its high return on investment.

As the Canadian Tourism Commission increases the number of customers in its database, by mid-2003, it will develop more robust Customer Relationship Management programs and data to provide it with increasingly better insight on its customers and how to more effectively and cost efficiently market to them.

Factors Critical To Success

Marketing directors, committees and other stakeholders must buy in to the value of Internet-based and database marketing solutions and integrate use of this media in all traditional marketing programs as evidence mounts of the value consumers place on the web to research, plan and book travel. Other key success factors include retaining and attracting scarce human resources that possess experience in e-marketing and maintaining adequate marketing funds to further develop and maintain the web site and other e-marketing programs to international standards.

4. Taking the Right Road

Opportunities Offering Strategic Advantage

Industry-led, Market-driven, Research-based

The CTC is a public/private sector partnership, directed by a 26-member Board of Directors. The Board sets the policies and strategic direction of the CTC and approves the strategic plan and resource allocation. Working committees established by the Board and comprised of industry representatives provide a conduit for all line programs of the CTC. The working committees oversee the development of programs and review proposals for campaigns in which the CTC may act as a partner.

Since its creation, the CTC has been organized according to marketing programs, which are based on a geographical breakdown, and other programs related to providing strategic information services to support and assist industry decision-making process. Given the emergence of experiential searches as the prime motivator for travel, and the need for the CTC to respond to this emerging trend, the organizational structure of the CTC, in particular its committee structure will have to be revisited. The new aim will be to provide the CTC with the capacity to design comprehensive marketing programs responsive to these emerging trends.

In 2003, the CTC intends to propose some fundamental, albeit transitional, changes to reflect these new realities. The CTC will underscore experiential marketing opportunities more so than pure destination. With current research indicating that travel decisions are increasingly based on experiential motivators (theme or activity), a Niche Product Marketing Task Force will be struck reflecting this consumer trend.

Partnership – Travelling In Convoy

The CTC will invest a total of \$250 million over the next three years. A challenge will be to recruit partners willing to contribute, in either cash and/or in-kind, enough money to match this amount. For a number of reasons such as revenue short falls and/or new positioning and/or stakeholders competing for the same funds, a number of major partners such as provinces may not be able to participate as broadly in our advertising activities as in the past. This could result in a drop of the critical mass of dollars utilized to jointly promote Canada.

Given this, current partnerships need to be expanded where possible and new ones created in order for the CTC and tourism funds to maintain critical mass. It is recognized that the source of traditional partnership contributions is limited by the size and nature of the Canadian Tourism industry. The current level of \$83.5 million in partnership support accorded to partnerable activities in which the CTC is involved is close to

the saturation level of possible support from the tourism sector.

In 2001, the CTC worked with a total of 1,196 contributors to CTC programs. Matched against the CTC budget of \$83.5 million, this represents an average contribution of \$70,000 per partner. Of the \$83 million in partnership contributions, \$8 million was received in cash directly by the CTC. \$66 million was administered by third parties and \$9 million represents in-kind contributions. As indicated, to sustain the same level of partner contributions will require significant annual effort to recruit partners – both in terms of number and the amount invested with the CTC.

The value of partner contributions to CTC programs is a good measure of industry support. Since the creation of the CTC, our objective has been to maintain an equivalent ratio of the CTC total budget to the contributions of partners. To meet this requirement, the CTC must direct effort on an annual basis to re-recruit the same or a greater number of partners to participate in its programs and lever sufficient funds to match the CTC budget. More resources and the new position of Director, Business Development dedicated to the partnership recruitment process will ensure that appropriate efforts are made to sustain a level of partnership equivalent to the CTC investment.

The partnership contributions are linked to the expected sales that will be generated by a specific market. It is possible to achieve greater leverage than a ratio of 1:1, however, this would tend to result in the CTC promoting only established products in established markets. The role of the CTC is broader than marketing in established markets exclusively. The CTC must serve as the leading edge in developing emerging markets. Consequently, the CTC is required to assume more financial risks than the industry.

Also, the CTC is engaged in activities supporting the marketing of a product or experience. Research, product development, and the removal of barriers to industry growth are important to the Canadian tourism industry and serve to support the CTC primary marketing mandate. While there are significant financial contributions from partners to fund a portion of these activities, these activities do not have the potential to attract the same level of partner funding as marketing campaigns, which are able to produce measurable financial results.

The industry's future success depends on the leadership of the CTC to stimulate growth of new experiential products and cultivate geographical markets that demonstrate future potential. It is important that the CTC invest in this activity. It will not attract partner support comparable to the promotion

of established products in established markets. Partner support, however, would be expected to grow over time. While effective in the short term, a strategy that saw investment in our "cash cows" only does nothing to promote a strategy of long-term sustainable growth. If a national tourism-marketing organisation does not do this vital work, no one will – to the detriment of the future of the Canadian tourism industry. Our goal of 1:1 partnership allows our more robust markets to subsidise this developmental work until the new market, whether geographical or experiential, is robust enough to attract full financial partnerships. This may be a particular area of interest for non-traditional partners.

CTC programs must be accessible to partners of all sizes throughout the industry. In an industry that is more than 99 per cent SMEs, this is part of the development challenge and opportunity of the CTC. The CTC cannot focus simply on working with the large national industry players (of which we estimate there are only ten in Canada) that have the most resources to invest in partnership programs.

Finally, as outlined in the new Partnership Policy, contained in the Annex it is recognised that the CTC incurs non-program costs, such as payroll and occupancy expenses, that cannot be partnered. These non-partnerable costs approximate \$13 million. Thus, achieving partner contributions of \$82.5 million (an amount equal to the federal government funding) amounts to more than a 1:1 ratio of partner support for marketing program activities. We will strive to partner all \$82.5 million. However, if incremental funds become available, we may have to refer to the Partnership Policy guidelines which provide for the exclusion of some non-partnerable resources such as payroll and occupancy costs to achieve our required partnership ratio.

A less obvious but increasingly important form of partnership involves the so-called non-traditional partners, businesses outside the tourism industry, which have not invested in tourism promotion. Non-traditional tourism partnership can provide access to significant financial participation in CTC marketing activities, particularly for international markets that other Canadian industries want to develop and seize business opportunities.

Over the next three years, the challenge for the CTC will be to maintain partnership contribution at a level equal to federal government funding, while investing in selected new products and new markets that have the potential to contribute to the future success of the Canadian tourism industry. This plan, therefore, aims at a continuation of partner contributions at a ratio of 1:1. However, this ratio should be revisited if there are changes in government funding or significant changes in market conditions. In this case, a substantial increase in partnership contributions will have to be leveraged from non-traditional partners and CTC resources will have to be allocated to recruit and develop non-traditional partnerships.

In order to ensure that the CTC is best meeting industry needs, a comprehensive stakeholder survey will be undertaken in 2002.

Raising an International Profile

An important role of the CTC, apart from its specific promotional programs in international and domestic markets, is to position Canada as a leader in the global tourism industry. This leadership profile is a positive reflection on each business in the Canadian tourism industry, as well as Canada.

The creation of the CTC, and the public-private sector model on which it is based, is an innovative approach that has been studied and adopted in a number of other jurisdictions. The fact that the Canadian government and the Canadian tourism industry are seen to be working together effectively, encourages foreign partners to join us in developing new programs of mutual benefit.

Another success story is the groundbreaking work done by the CTC and Statistics Canada to develop and promote Canada's Tourism Satellite Account (TSA). The TSA was designed to identify and track the size and scope of the tourism industry within the national economy – an international first. The TSA has been endorsed by several organisations – the World Tourism Organization (WTO), the Organisation for Economic Cooperation and Development (OECD), and the United Nations Statistics Commission – as the template to be used by countries to measure the economic impact of tourism. Only by universal adoption of this Canadian initiative can we create valid comparisons with our global competitors. This provides a sound base for investment decisions, whether those investment decisions are for the marketing or product development or for infrastructure decisions taken by our industry partners.

An active member of the WTO, in May 2002, the CTC did co-host the World Eco-Tourism Summit in Quebec City. The summit attracted more than 1,000 international delegates. It helped position Canada as a leader in the field of eco-tourism. Eco-tourism is an ideal example of an experiential travel motivator that Canada must position more strongly.

Maintaining membership in international organisations such as WTO, OECD, Asia-Pacific Economic Cooperation (APEC), and Pacific Asia Travel Association (PATA) requires the commitment of both human and financial resources. Moreover, it involves Canada taking a leadership position, such as a serving on the Executive Council of the World Tourism Organization, which Canada may seek to do in 2003.

Providing Strategic Information to the Industry

Strategic information is crucial to maintain and increase the competitive edge of the Canadian tourism industry. Timely, credible, and relevant information supports more effective business decisions. The CTC offers a series of programs to accomplish this.

A) Research Program

The Research Program is fundamental to the success of the CTC. It establishes the economic importance of the tourism industry to the Canadian economy in terms of employment size and growth, foreign exchange earnings, tax revenues for all levels of government, and, of course, Gross Domestic Product. This information has proved invaluable in gaining visibility for the industry and drawing attention to some of the obstacles to the growth of the industry that are of a regulatory or financial nature (air transportation policy, taxation policies, customs practices, municipal taxation policies, etc.). It tracks the performance of the industry by monitoring the revenues it generates, the number of tourists it serves and the number of jobs it generates from all markets. It advises on trends and developments worldwide that offer challenges and/or opportunities for the industry. It provides the Research Committee with advice and insight on all facets of the measurement, tracking and assessment of tourism that are being undertaken worldwide, such as tourism satellite accounts and impact modeling.

The Research Program assists the CTC efforts to promote the development of new tourism products by identifying new market opportunities and niche product demands that guide the ongoing activities of the Product Development Program. It also examines the distribution channels by which tourism product is presented to the consumer, be it wholesalers or travel agents, with a view to better positioning Canada's product offerings.

The market research component of the Program provides knowledge and advice to the marketing committees established by the Board to implement the CTC mandate to promote Canada as an international tourism destination. It manages research projects to track performance, assess conversion, test market perceptions, travellers' motivations, price competitiveness, levels of awareness, etc. This task is performed for all of Canada's key foreign markets and for the domestic market as well.

The Program is evolving to develop strategic information on industry related infrastructure, to construct impact models to assess the economic, social and environmental effects of investments in infrastructure, and to develop simulation models to measure the effects of contingency marketing investments and government policies.

B) Industry Development Program

The CTC strives to create a business environment conducive to the health and prosperity of the Canadian tourism industry. This involves maintaining lines of communication between government and industry, sharing information, helping the industry share knowledge and concerns, removing institutional barriers to growth, and bringing to the attention of governments policy issues affecting tourism interests.

Several factors can hinder the ability of the industry to supply competitive international tourism products and experiences. These are issues that the industry must tackle and resolve. They include:

- human resources shortages,
- seasonality and sustained capacity,
- access to research and market intelligence, and
- offer of quality products and services.

In addition, the CTC continues to play a role in other issues raised by stakeholders, international staff, and others. These issues include:

- border-crossing constraints placed on travellers and goods,
- environmental issues, such as sustainable tourism,
- risk management and insurance, and
- air transportation issues.

C) Communications

Communicating, in a timely manner, the most accurate and up-to-date information to the Canadian tourism industry, CTC partners, the media, and employees, and fostering dialogue among these groups, is a principal challenge of the CTC. It is a critical element to both the success of the industry and the CTC.

On that basis, the CTC produces nine issues per year of the Tourism Magazine which is distributed to all interested stakeholders of the Canadian tourism industry. This publication contains information on tourism programs and activities of the CTC and its partners.

To raise the profile of Canada as a tourism destination and to improve the ability of the CTC to work with as many partners as possible, communication products will be developed to help small and medium sized enterprises better understand and access CTC programs.

D) Tourism Reference and Documentation Centre (TRDC)

The TRDC is a resource centre of tourism information accessible to the CTC staff and the Canadian tourism industry. The TRDC holds the 'largest and most comprehensive collection of material on the Canadian tourism industry, a total of 6,000 books and more than 400 journal titles. The TRDC maintains a collection of market research regarding Canada's major tourism markets and its competitors. The TRDC provides an electronic media clipping service and publishes a weekly synopsis on the important tourism stories - Tourism Highlights. In 2000, the TRDC served more than 3,400 clients, including the CTC staff, the industry, and other government departments and organisations.

Proper Infrastructure to Do the Work

By moving from a Special Operating Agency to a crown corporation, the CTC has implemented organizational structures to ensure an effective use of its financial and human resources and to carry out its mandate in an efficient, cost effective, and client-centric manner.

A) Financial Services

As the financial operations of the CTC were performed by Industry Canada and Foreign Affairs and International Trade Canada, an autonomous corporate financial infrastructure adapted to the needs of the CTC is being developed. To achieve this objective, the CTC will focus on four main strategies:

- complete the development of financial policies, procedures, and control mechanisms tailored to the needs of the CTC,
- develop enhanced reporting and information systems to serve the needs of management and the Board, and measure results,
- implement corporate-wide competitive contracting and procurement processes, and
- initiate processes for the identification and management of risk, in collaboration with the audit committee of the Board.

B) Human Resources

An effective human resources policy framework is based on providing a working environment that is conducive to achieving results and organising a management system that anticipates future needs. In this context, over the next three years, the attention of the human resources branch will focus on:

- identifying required resources, skills, and skill gaps resulting in pro active hiring and training, 2003 - ongoing
- ensuring effective working relationships between staff throughout the organisation, particularly between Ottawa-based staff and staff based internationally, ongoing
- developing reward structures for staff which encourage creative thinking, planning and the implementation on a daily basis of these activities, 2003
- attracting and retaining exceptional staff using professional externally-based expertise to develop a compensation program that is both market-based and performance-based, 2003
- negotiating a new collective agreement, 2003
- developing on an annual and continuous basis the CTC's succession planning process, 2003 and
- implementing a "Mentor Program" with the goal of enhancing employee career development 2003.

C) Technology Program

During 2003 the emphasis will be on identifying opportunities where information technology can contribute to reduced costs and/or greater efficiencies in the operations of the Commission. The Internet is one example of such an opportunity. As the Internet becomes pervasive it offers great potential as a mechanism for streamlining communication both among CTC staff, and between the CTC and its various stakeholders.

As the Commission increases its reliance on information technology for its routine operations, it is imperative that the robustness and reliability of the underlying infrastructure be increased correspondingly. Consequently, this also will be a priority in 2003.

5. Eye On The Horizon

An Outlook on the Next Three Years

Over the next three years (2003-2005), it is forecasted that tourism revenue in Canada will increase from \$54.6B to \$60.0B, an increase of \$5.4B. International travel receipts represented 30 per cent of total tourism demand in 2001, totalling \$16.2B. It is projected that international receipts will reach \$19.5 billion in 2005, an increase of \$3.3B over 2001.

The ability of Canada to increase international tourism in the period 2003-2005 is largely dependent on our ability to stimulate the United States leisure market and maintain our competitive position in our major overseas markets. The potential of both the United States and overseas markets over the next three years is primarily contingent to no further attacks on the U.S. and a full U.S. economic recovery.

With the economic recovery picking-up momentum and fear of terrorism subsiding, the second half of 2002 will set the stage for growth in 2003 to 2005. The socio-economic conditions that are still prevailing should continue to encourage Americans to travel closer to home, and Canada will benefit from this short-term emerging trend.

While travel angst and inconvenience will continue to represent a deterrent for air travel, with a substitution to other modes of travel, the outlook is for a gradual transition of travellers back to the skies as early as 2003.

While 2002 was a year of transition and changes the 2003-2005 period is expected to see average growth rate in the range of 3 per cent.

Tourism Spending Outlook

	2001*	2005**	Revenue Growth
International spending	\$16.2B	\$19.5B	\$3.3B
Domestic tourism spending	\$38.4B	\$40.5B	\$2.1B
Total tourism spending	\$54.6B	\$60.0B	\$5.4B

* Source: National Tourism Indicators, Statistics Canada.

** CTC Forecasted Estimates.

6. Picking a Destination or an Experience

Practical and Achievable Goals

Our targets are, of course, set in a time of transition where uncertainty is still prevailing. Using 2001 as the base, we are contemplating a 2 per cent growth in 2002, against declining growth rates during the first six months and a gradual pick-up in the latter part. For 2003, we foresee a strengthening as the new marketing programs take hold and a return to previous levels of growth in 2004 and 2005. Additionally, we have assumed inflation to remain stable at 2.5 per cent on the Consumer Price Index (CPI), while acknowledging that the Travel Price Index (TPI) is likely to be affected to a greater extent than the CPI.

There are other key assumptions. First, we are assuming there will be no major terrorism events in North America or shifts in the current social and political situation. Also, we are assuming that air seat capacity will no longer be of concern, with pre-2001 levels reinstated. As well, for a decade, the tourism industry has been following a 'yield' strategy as opposed to a 'volume' strategy in their pricing. We expect this strategy to continue. A significant change to a 'volume' strategy would change our target results dramatically.

If the U.S. outbound international market falls by 5 per cent as expected during the period, it is reasonable, with annual increases of 1 per cent in overnight trips to Canada from the United States, to aim at increasing Canada's market share by more than 1.5 point, i.e., from 28.7 per cent to 30.2 per cent.

For the period 2003 to 2005, this strategic plan will aim to:

- Resume positive growth rate in 2003 and increase international overnight receipts by 10.3 per cent over 2001 and inter-provincial domestic receipts by 15.8 per cent in 2003 and 2004.
- Regain the 2000 level in 2003 and increase international overnight trips by 7.6 per cent and domestic interprovincial overnight travel by 5.6 per cent by 2004.
- Maintain Canada's market share in overseas markets and increase by 2 percentage points Canada's share in the U.S. leisure market by 2005.
- Increase international overnight receipts to Canada in winter and shoulder seasons (Q1, QIV) by more than 10 per cent over 2001.
- Maintain an overall partnership ratio of one-to-one, that is generating partnership contributions equivalent to the CTC annual budget.

Achieving these goals would generate an increase of tourism overnight receipts of \$4.5 billion over the 2001 level.

Target increase in overnight receipts for 2003-2005 (2001 base)

	2001 base	Incremental receipts	2005 % increase over 2001
Canada inter-provincial market*	\$8.45B	\$1.28B	15.8%
U.S. \$6.47B	\$1.46B	22.5%	
Europe/Latin America Leisure**	\$2.71B	\$0.77B	28.3%
Asia/Pacific Leisure**	\$1.31B	\$0.34B	26.2%
MC&IT International**	\$2.62B	\$0.65B	24.8%
Winter travel (international)**	\$1.84B	\$0.44B	23.9%
Niche Experiential Marketing	(targets to be set based on data availability)		
TOTAL	\$21.56B	\$4.50B	21.2%

* CTC estimates from National Tourism Indicators in absence of accepted final Canadian Travel Survey data.

** Separate leisure travel targets and winter targets not included in the targets described in individual marketing plan sections.

7. Getting There Fast

Setting Practical Objectives and Strategies

To achieve the aforementioned goals and benefit from the resulting growth, this plan sets out the following objectives for the 2003-2005 period:

Provide the industry with the best possible information and data by:

- continuing relevant and timely market research activities and industry information products, (for industry)
- developing, disseminating, and promoting new information on the role and importance of tourism as a key strategic sector of the economy, including the provincial satellite accounts and new information on microeconomic financial performance and profitability measures, (for government and media) and the
- developing strategic information on industry-related infrastructure investment, and social and environmental impacts on decision-making (for government and financial community).

Enhance both the awareness of and the interest in Canadian tourism products and experiences by:

- building awareness of the Canada brand and increasing interest in travel to or within Canada,
- developing high-profile marketing programs with more partners both inside and outside the Canadian tourism industry,
- creating and implementing effective product development programs, (using a Product Portfolio Analysis)
- to increase the supply of market-ready Canadian tourism products to remain competitive internationally,
- using a niche marketing program to develop experiential-based initiatives, and
- redesigning existing marketing programs to integrate major events, public relations, and non-traditional partnerships.

Diversify the market base to seize opportunities in emerging markets by:

- entering new international markets which demonstrate potential where Canada has yet to establish a meaningful presence (Every effort will be made to secure partner support, however, in view of the nature of the investment required for this initiative, less than a 1:1 ratio of partner contributions will be accepted at first, with the expectation that partner contributions will increase to 1:1 over time).
- establishing new marketing initiatives focusing on the promotion of experiential product based on either an activity or a theme (On a worldwide basis, there is significant evidence that the tourism industry is shifting away from its traditional geographical approach to a more

experiential product cluster approach. The niche media designed to appeal to these theme- or activity-based travellers are generally less expensive and more focused than mainstream media.),

- refining and improving the portfolio analysis framework used to establish, market, and develop product clusters (a Product Portfolio Analysis), and
- developing and implementing new winter tourism marketing initiatives to attract more visitors during the off-season with a view to improving the year-round use of existing tourism infrastructure and thereby increasing industry profitability. In focusing on winter, the CTC has developed a broad partnership with the skiing industry and is currently working on product development initiatives to position Canada as the international destination for a traditional "Christmas" experience.

Redesign our marketing information programs aimed at trade and consumers to take advantage of the potential of e-marketing technology by:

- developing an internationally competitive consumer website that will serve as a global platform for marketing Canada as the tourist destination. It is critical that our site(s) convey a sense of excitement to distinguish Canada from an array of international destination-focused web sites. While our web sites will be gateways, we have some responsibility for ensuring that content is representative of the entire industry and is not just a collection of links to partner sites,
- developing an effective business-to-business web site for the exchange of information among members of the Canadian and in-market tourism industry.

Improve the ability of the CTC to identify and anticipate the needs of the Canadian tourism industry and address issues affecting the industry's competitiveness by:

- strengthening the networking between governments and industry,
- establishing discussion groups with industry representatives to address issues affecting the international competitiveness of the Canadian tourism industry, and
- providing Canadian industry and Canadian government policy-makers with research and other information required for sound decision-making.

8. The Roads are the same but the Course has Changed

New Directions to Respond to Challenges

To respond to challenges and meet goals and objectives four new directions/initiatives will be implemented in 2003. They are:

- Emphasis on media and public relations

Media and public relations initiatives have traditionally provided a high ROI for the CTC and partners. With limited funds for more mass marketing, it is necessary to leverage the "stories" and "experiences" that Canada possesses. This approach will combine and maximize the mix of paid and unpaid coverage to ensure a critical mass of marketing is more readily achievable.

Special initiatives will be undertaken to underscore the Visit Canada Programs in all markets, including Canada. Special fares for journalists will be formalized, not only to Canada, but also within Canada. Emphasis will be placed on attracting journalists whose stories reinforce the CTC's in-market strategy. The CTC will "qualify" media on behalf of our travel partners, and report results to them.

- Events/promotions marketing

As a complement to increased media and public relations activities, a concerted effort, especially in the United States, will be made to identify or establish promotions and events whereby Canada could attract special attention to itself, as a travel destination, that it would otherwise not achieve. In addition, a list will be prepared of all future major events: Olympics, world fairs, sporting events, etc. All markets will be instructed to review and, where appropriate, incorporate similar promotions and events in their Operational Plan.

This approach will also enable the CTC and its tourism partners to attract more "non-traditional" partners.

- Re-engineering the CTC web site

The CTC dramatically re-engineered its web sites to recapture a leadership position in tourism e-marketing. Re-engineering will take the form of totally rebuilding the consumer side of the sites to make it more informative, impactful, multilingual and easy to use. The business side will be evaluated then tilted and tailored, where necessary, to make it more customer-friendly

- Experiential marketing

A Niche Product Marketing Task Force will be convened, the objective of which will be to identify, within the CTC Product Clusters, niche products which are market ready. The task force will develop programs tailored to the needs of operators within the selected niches. Investments will be made in narrowly targeted promotional niches, outside the scope of the mass media used in the geographic marketing programs. There will be full coordination between the Niche Product Marketing Task Force and the geographic marketing programs. The developing PPA will help identify our most competitive products for marketing and identify gaps for Product Development.

In addition to these four specific initiatives, all markets will partner with all airlines wherever possible. Such action will enlarge the partnership base and increase air access to Canada, which is badly needed in a number of markets.

As well, a National Ski Joint Venture has been signed, involving 17 Canadian ski properties marketing in nine markets with a private sector yearly contribution of up to \$1.7 million.

As you review "When the Rubber Hits the Road" you will see these new directions/initiative emphasized throughout the various programs.

9. Where the Rubber Hits the Road

Program Directions and Priorities

Despite some uncertainty in the market place still prevailing, the long-term challenge is the recovery of Canada's competitive position or market share.

Most of our product-based marketing has been centered under the brand umbrella of "Discover Our True Nature", using the idea of "lots to see and do." There is a growing concern that "lots to see and do" is too generic and to attract the experiential motivated traveller we must position Canada's competitive products more forcefully. This may be another reason for the loss of competitive position. The following geographically-based reports should be read against this background as well as the four new directions mentioned in the previous chapter.

The first part of the mandate of the CTC is to market Canada as a tourism destination. In so doing, there are four pillars upon which marketing efforts are based. They are:

- consumer,
- trade,
- media and public relations, and
- the Internet.

While resources are dedicated to include all four pillars, their relative weighting in terms of resources allocation vary according to each market. For instance, the United States market, which is mature and diverse, will actively involve all four pillars. Meanwhile Mexico, which is an important fast-growing market, will focus on the Internet, trade, media and public relations efforts. Similarly, not only will the weights of each pillar vary but the inherent tactics and messages in each will vary according to the market.

The following is a brief summary of each of the major programs of the CTC, along with their direction and priorities.

Marketing Programs

Product Development

Product development at the CTC essentially means working in partnership with Canada's tourism industry to increase the country's supply of market-ready tourism products and experiences. This involves not only improving the quality of existing products, but also increasing the quantity of these products, and expanding the range of products available.

In terms of the business cycle, there is a continuum that consists of research, product development, marketing and sales – with each function depending on the others. Effective product development depends upon sound research, while marketing and sales success depends upon having a ready supply of the "right" products. At the same time, there must be regular feedback from marketing and sales to product development to ensure that the product development work which is undertaken is relevant to market needs.

Recognising the close co-ordination that is required between product development and marketing and sales, product development is combined in the same business unit with marketing and sales.

The Product Development Program has identified the following objectives for the next three years:

- Improve the quality of Canada's tourism offerings stressing experiential products found in adventure, cuisine, gardens, and spas, as examples;
- Work with Marketing to ensure that product clusters align with Product Development and vice versa, as evidenced in this document;
- Work with the industry to increase the quantity of market-ready products available;
- Foster the development of new products, consistent with emerging market trends;
- Encourage the packaging of these products so they can be effectively marketed; and
- Facilitate information sharing and networking relationships among individual operators and other potential tourism industry partners.

The CTC model



The CTC is a federally funded national tourism organization which incorporates the three components of supply (product) and demand (marketing and sales) guided by research to complete the marketing equation. Research enables the CTC to track and guide the interaction of these two components and provides information to address issues. For maximum efficiency and effectiveness, all three components must continually interact and drive one another.

The most visible, and no doubt, most successful of the CTC product development initiatives has been the Product Club program. Product Clubs are consortia comprised primarily of small businesses engaged in similar or complementary lines of business, which have been formed to develop new products and packages, and to upgrade the quality of existing product offerings, by sharing information and working collectively.

In addition to the Product Club program, which is open to all sectors of the tourism industry, several product clusters have been identified for specific attention in terms of product development. The selection of these clusters is based upon an assessment of market demand, industry needs, and Canada's existing/potential ability to satisfy the demand. These clusters align with the CTC marketing priorities and are described below.

Outdoor Tourism Cluster

Research confirms that Canada's great outdoors stands out as our most appealing tourism feature to prospective international visitors and Canadians alike. This fact is reflected in the selection of "Discover our true nature" as the slogan to be used in all CTC advertising.

However, today's tourists are looking for more than beautiful vistas. They want to experience nature first-hand, whether it's hiking or cycling, white water rafting or canoeing, fishing or bird-watching, wilderness camping or staying at a luxury resort. In each case, the experience requires, or is heightened by, a variety of tourism businesses that provide interpretive programs, guiding services, equipment rentals, accommodations, etc.

As a result of the market potential for outdoor tourism in Canada, and because this industry sector is characterized by thousands of small operators, many of whom need product development support, this product cluster is a priority for the CTC product development program. Assistance is provided in the areas of service standards, staff training, understanding the needs of international travellers, market intelligence, packaging products for sale, etc.

Actions in this area will include market readiness workshops, best practices studies, and the introduction of a new sustainable tourism development model.

Culture Tourism Cluster

Culture and heritage-based tourism is another sector that has been identified for product development emphasis.

On a global basis, there is growing interest in the historical sites and cultural traditions to be found in different countries and regions. Cultural attractions form part of most tourism itineraries and in many cases, they are the primary reason for the trip. Although culture and heritage are not as strongly associated with Canada as our outdoor products in the minds of international travellers, Canada does have a rich and

fascinating history. As well, our multi-cultural society means that Canada can offer visitors a unique blend of many cultural traditions.

From a product development perspective, the CTC challenge is to create effective links between the mainstream tourism industry and Canada's cultural institutions and other providers of cultural experiences. Traditionally, tourism operators have not recognised the market potential of Canada's cultural attractions on the one hand, and on the other, cultural institutions have not seen themselves as part of the tourism industry. Both groups need to be made aware of the opportunities that exist and partnerships need to be established to take advantage of these opportunities.

Actions in this area will include working closely with tour operators who currently specialize in cultural tourism; expanding this base by providing information concerning new market-ready products; segmenting the Travel Activities and Motivation Survey (TAMS) study data to identify niche opportunities within the culture sector.

Winter Tourism Cluster

Seasonal visitation is a major factor affecting the profitability of Canada's tourism industry and the need to position Canada as a four-season destination appears prominently in the industry's vision statement. Nearly 70 per cent of Canada's international visitors currently arrive during the second and third quarters of the year (April 1 – September 30).

While there is an opportunity to extend the early Spring and Fall "shoulder seasons" for some operators, the primary need is to develop more tourism activity during Winter. For this reason, the CTC has established Winter tourism as another product development priority. The CTC objectives are to support industry in the expansion of the inventory of Canada's Winter tourism products and to encourage the packaging of these products so that they can more easily be sold to consumers.

Actions in this area will include a national contest to encourage the development of new winter packages (this year's competition attracted 125 entries with every province and territory represented), the hosting of a national forum on winter tourism, and expansion of the Winter Lights Contest, which recognizes communities across Canada for the quality of their Christmas lighting displays.

Touring and Cities Product Clusters

Although Touring and Cities have been identified as priority clusters for marketing purposes, to this point there has not been a similar focus for product development. These two clusters will be evaluated to determine if product development work is needed to support our marketing programs, with the overriding objective of ensuring synchronization of the CTC product development and marketing efforts.

Other Product Development activities include:

- Work closely with the Niche Product Marketing Task Force to ensure that competitive market-ready products will be under development, including providing staff support from Product Development as we did when developing the Learning Travel program.
- With the aid of the Product Portfolio Analysis currently under development and using the material provided by the TAMS research, work to more strongly position our most competitive product clusters.
- Learning vacations, which involve a multitude of experiences, all aimed at personal enrichment, are an emerging trend. Research shows that consumers worldwide are increasingly seeking more than passive sightseeing when they travel. They want to touch and feel, to look behind the scenes, to penetrate beneath the surface. Canada is rich with this type of tourism experience, and Product Development has assembled an inventory of over 300 market ready learning vacation experiences. Further work needs to be done to expand this inventory and to help facilitate its integration into marketing programs.

Actions in this area will include the creation of an expanded database for on-line access by tour operators and others interested in obtaining information about market-ready learning travel experiences in Canada.

- Canada's Aboriginal culture and traditions are another important aspect of our tourism offering. This product has significant potential to yield economic benefits in Aboriginal communities and in less developed regions of Canada. Increasing the level of market-readiness and ensuring consistent service delivery are priorities for Aboriginal product development.

Actions in this area will include collaboration with Aboriginal Tourism Team Canada and other government partners on a major study to quantify the economic impact of tourism on Aboriginal communities, and creation of a variety of tools to assist Aboriginal tourism business operators in improving their market-readiness.

- "Cuisine in Canada" is another focus for our product development activity. While we do have a number of distinctive regional cuisines, many of the foods and cooking styles found in Canada have been adopted from other cultures. Thus, "Cuisine in Canada" refers not only to foods that may be considered uniquely Canadian, but also the tremendous variety of food that results from our multi-cultural traditions. Cuisine is a significant aspect of the tourist experience, and an area that has great potential to enhance Canada's tourist appeal.

Actions in this area will include development of a national industry-led accreditation program modelled after "A Taste of Nova Scotia", and a series of workshops for restaurants and other cuisine suppliers interested in increasing their tourism business.

- Golf, which has seen a tremendous growth in popularity in recent years, and where Canada offers great variety and value to international visitors.
- Sports tourism, which recognises the tourism benefits that accrue to communities as a result of hosting sports competitions and tournaments. These range from major international events to local youth tournaments.
- Gardening, which is another pastime enjoying growing popularity, particularly among ageing baby-boomers.
- Wellness vacations, which are also experiencing strong growth as a result of an ageing, more health-conscious and more affluent population in Canada, the U. S. and Europe.
- Youth tourism, which results from the increased mobility of today's youth in developed countries around the world. Although youth may be seen as "low-yield" travellers currently, it is recognised that they offer the potential for repeat higher yield visits in the future.
- Rural tourism, which is an important component of the government's broader strategic objectives for economic development in rural areas of Canada. This could link effectively with Cuisine.

The following outlines CTC marketing strategies by geographical market. The quantifiable objectives for these markets are identified earlier in Section 6.

Canada Marketing

The aim of the Canada domestic marketing program is to promote awareness of Canada's tourism products and to encourage Canadians to travel in Canada. The Canadian domestic market continues to represent the largest tourism market for Canada, accounting for 70 per cent of tourism revenues and 80 per cent of all visits in 2000. With present travel trends continuing, the domestic market will become an even more important player as Canadians reduce their international travel in favour of travelling at home.

Preliminary estimates show that travel spending within Canada was slowing down throughout most of 2001. Canadians spent close to \$38.4 billion on tourism in Canada in 2001, a 1.3 per cent increase over 2000. Although the events of September 11th had an impact on the third quarter, domestic demand had already started to weaken in the second quarter with just a 1.7 per cent growth rate compared to 5.4 per cent increase in the first quarter. Not only did Canadians reduce their domestic travel in 2001, they also curtailed their international trips, especially south of the border. In 2001, they took an estimated 18.4 million overnight trips outside the country, down 4.2 per

cent from 2000. Overnight travel to the U.S. fell 7.7 per cent, while trips overseas actually grew 7.0 per cent.

For 2003 the target for the Canada market is 2.5 per cent increase in trips and 4.7 per cent increase in spending.

For 2003, research suggests that there is a sizeable group of travellers who will continue to consider travelling within Canada instead of going to a U.S. or overseas destination. This potential substitution group represents almost half of the Canadian traveller market or approximately nine million travellers. Travel by Canadians to the United States represents more than 75 per cent of the total Canadians travelling abroad and almost 60 per cent of the total related expenditures. Canada has an abundance of competitive travel products in comparison with the United States. The effective promotion of these products is designed to convince Canadians who travel primarily in the summer to choose Canada as their preferred or primary destination. Current trends and data indicate that this will continue in 2003. Diverting just 1 per cent of Canadians travelling to the United States to Canada would result in \$85 million of incremental travel tourism receipts for Canada, assuming other factors are constant.

Planning Assumptions 2003 - 2005

The Canada market will continue to be key to achieving overall tourism growth:

The interest among Canadians for seeing more of Canada has probably never been stronger and provides marketers with an unprecedented opportunity. 93 per cent of Canadian travellers are planning to travel this year, up 8 per cent, and almost 60 per cent are very likely to do it in Canada, which is up 7 per cent. This is significant in terms of tourism revenue impact, outbound conversion, and overall decline in the travel deficit.

In 2001, a new Strategic Business Plan covering the 3-year period 2002/2004 was developed and approved by the CTC and the Canada Marketing Committee. This Strategic Plan is considered to be intact as a base for continued implementation.

Continue to re-orient programming to target specifically the outbound traveler in those Canadian markets with the highest propensity for outbound travel. The size of this potential conversion market has increased substantially, with 46 per cent of Canadians now considering substituting Canada for another travel destination.

The 9/11 crisis and the resulting "New Reality" campaign jump-started the outbound conversion process. We are now in the middle of a major outbound conversion program, launched in November 2001, and we have the opportunity to establish solid momentum with the new funding for the "New Reality" campaign throughout 2002.

What does it all mean in terms of overall industry prospects and the total impact for Canada? It looks like at least a short-term shift to business and revenue generation in the domestic market to make up for lost revenue from outside sources. How long this lasts will depend on the economy bouncing back and the comfort levels of consumers in the security, convenience and pricing zones. If everything starts to go well soon, then prospects from the USA market will start to look better by year-end going into 2003. If not, then the domestic market will increase in importance with every month of delayed recovery.

Critical Success Factors

Main strategic thrusts for 2003:

- Build equity in the Canada brand image and generate awareness of Canada as a vacation destination throughout the year.
- Promote Canadian products via the Product Cluster model, and include a focus on new travel products/categories.
- Grow the consumer database for both direct mail and e-marketing activities and include a new emphasis on developing segmented database groups based on travel preferences.
- Develop co-op advertising activities to target outbound conversion markets with seasonal thrusts.
- Create co-op marketing opportunities using direct mail and e-marketing to promote product themes to niche target groups.
- Continue support and implementation of an Outdoor Experiences program in partnership with the CTC's U.S. Marketing Program, presented to the industry as a North American opportunity.
- Develop new or extend existing long-term promotional partnerships that can be leveraged for the tourism industry and that broaden the scope and depth of the domestic program.
- Continue the promotion of new travel packaging through the Regional Tourism Initiatives Program.
- Increase the number of partners in the domestic program and the level of partnership support.
- Create awareness of Canadian travel products to travel trade audiences, and continue educational programming.
- Develop an integrated media relations program with a focus on travel media information on a multi-media portal platform.

Some roadblocks must be still addressed including:

- Reduced air capacity
- Rising travel costs
- Seasonality challenges
- Creativity required for niche marketing

The Canada Marketing Program must address not only these challenges but also the post-September 11th "new reality". The Canada Marketing Program will be positioned and operational for this new reality that indicates Canadians may well be more inclined to stay close to home and travel in Canada.

United States Marketing

2001 was a year in which the travel industry suffered its most serious shock in recorded history, with full repercussions not expected to be understood in the short-term. In the interim, travellers have altered their trip planning; they are thinking ahead more, will stay closer to home, research destinations in more depth, book late, are price-sensitive, use the web, and are showing an increased likelihood of using travel agents. In the near-term, the U.S. tourism market recovery will be spurred by automobile travel and demand.

To remain competitive and capitalize on shifting consumer requirements, the U.S. program will refocus its efforts to grow visitation and receipts in the short term, while expanding the market base for long term development. With the substantial increased funding by the CTC in the U.S. market in 2002, it will be essential to uphold adequate marketing activities in the coming years to sustain the momentum and capitalize on market growth potential.

In looking forward to 2003 / 2005, several key issues will be addressed by the U.S. marketing program:

- **Long-haul vs short-haul markets:** as the CTC maintains a long-haul based strategy in a recovery environment spurred by drive-travel, the program will target overseas and interstate conversion travellers in border, mid and long haul markets to capture new yield-driven market share;
- **Yield vs volume:** as air travel is expected to be slower to recover, the program will optimize yield performance with volume growth by targeting affluent high-potential consumers throughout the market;
- **Experiential vs destination:** psychographics marketing segmentation will allow targeting of mindsets matching product strengths with market demand;
- **Marketing Approach:** with limited budgets, media relations and promotions will serve as anchors to advertising activities, and will help integrate CTC and Partner programs through theme-based marketing campaigns and promotions.

Despite the weakened outlook, the United States travel market generated over 1 billion total overnight trips (domestic and international) in 2001. With a growing population, an economic upturn in 2002, the dominance of the U.S. dollar in the global currency market, and broad scope for expansion in U.S. consumers' propensity to travel abroad, the American market is expected to remain a primary target for many international destinations.

For Canada, the U.S. leisure travel consumer continued to be the primary source of international visitation and receipts during 2001. Notwithstanding the sharp decreases registered during Q4 of 2001, U.S. leisure travellers made 13.3 million trips to Canada (up 3.0%), which accounted for an estimated \$6.47 billion in revenues (a 14.3% increase) to Canada's tourism industry.

Despite the altered state of the tourism market, Canada still stands to register gains in the U.S. market over the next three years. The number of visits is targeted to increase by 3.3 per cent in 2002, 2.2 per cent in 2003, 2.3 per cent in 2004, and 2.5 per cent in 2005. With respect to receipts for Canada, this translates into gains of 4.7 per cent in 2002 (\$6.775B), 5.7 per cent in 2003 (\$7.160B), 5.5 per cent in 2004 (\$7.554B), and 4.7 per cent in 2005 (\$7.910B).

Canada's share of U.S. international travel has decreased from 28.7 per cent in 1996 to 25.6 per cent in 2001. European destinations have benefited from Canada's loss of high-yield outbound market share from the U.S. However, with the sharp decreases in overseas travel during Q4 of 2001, Canada has benefited from a market share increase for 2001, reaching 30.2 per cent. A key goal will be to maintain this level as the market recovers and overseas demand returns.

For 2003 the target for the United States leisure market is 2.2 per cent increase in trips and a 5.7 per cent increase in spending.

This target is currently achievable, as recent research conducted by the CTC regarding the potential of U.S. consumers to switch their travel patterns from overseas and interstate destinations to Canada is positive, and represents key target segments to reach with appropriate product/demand matching.

Over 2003-2005, the U.S. Program will aim to expand its higher-yield market base and market share while offering a focused long-term strategy to sustain existing business and build new market opportunities with overseas and interstate conversion. This will be realized through integrated marketing and complementary campaigns using psychographics segmentation and positioned under a consistent Canada brand umbrella targeting consumer, media and trade audiences.

With research continuing to serve as a foundation to all strategic directions and as a performance and efficiency monitor, the thrust of the marketing and advertising program will be placed on media relations and promotions using thematic approaches to market Canada. Aggressive Internet and e-marketing will further reinforce reach and impact in the market.

With substantial increased marketing in the U.S. in 2002 that has generated significant momentum/awareness throughout the market, the American consumer represents a prime opportunity, with uninterrupted growth in visitation and revenues offsetting the estimated shortfalls in overseas travel to Canada.

Europe/Latin America Marketing

The Europe/Latin America Marketing program was created as a result of the amalgamation of the European and Latin America programs.

1. Europe

In 2001, Europeans made over 2.3 million overnight trips to Canada, generating \$2.8 billion in foreign exchange earnings. This figure represents 21.4 per cent of Canada's international overnight receipts. Sixty-seven per cent of overnight European receipts originate from three major European markets – the United Kingdom (36%), Germany (16%), and France (16%).

Canada's competitive position in the European market has eroded over the last five years, from 8.3 per cent in 1996 to 7.3 per cent in 2001. A major impediment to European travel to Canada is the relative strength of the Canadian dollar, which has made Canada less competitive from a price standpoint. In addition, travel prices to Canada have had upward pressure as a result of a variety of influences, including the price of crude oil, airline consolidation, and the higher cost of accommodation. As well, airline capacity has been reduced on many key routes.

For 2003, the target for the Europe/Latin America market is 4.2 per cent increase in trips and 6.6 per cent increase in spending.

The potential of the European market is associated with a series of economic factors that will shape tourism demand in the long run. The most significant risk factors are related to:

- the stability of the social and political climate in the Middle East,
- the condition of the United States economy,
- the containment of inflationary pressure, and
- the implementation of structural labour reforms, the prospects of the enlargement of the European Union, and the stabilisation of the Euro.

Canada's ability to capture an increasing share of European markets is linked to its ability to increase the awareness of Canada as a year-round top-of-mind travel destination and overcome negative perceptions of Europeans that Canada is cold and boring. We must be careful to position our competitive tourism products more strongly with the European market than the generic 'lots to see and do' products of the past. Experiential marketing opportunities, for example, adventure, touring, culture, which can be highly segmented and are very cost effective will be more fully explored. With fewer funds than our competitors, advertising must be focused on the parts of Europe in which our tourism products have the broadest appeal.

The results of the Market Portfolio Analysis support a strong focus on the United Kingdom. Given its relatively high

investment level and the need for critical mass in other markets, the focus of marketing activity in Italy will be reduced and focus mainly on the trade and media, special events and promotions.

For the period 2003-2005, the marketing program in Europe will:

- produce a fully-integrated program targeted at consumers, trade, and media first and foremost in the United Kingdom, then Germany, and France,
- devote one quarter of the marketing resources to secondary and emerging markets (Switzerland, Netherlands and Italy) based on potential and returns on investment,
- stress experiential marketing opportunities,
- broaden Canada's image beyond its natural beauty through the promotion of Canada as an exciting, culturally-rich, and trendy urban destination, and
- increase partnerships with the trade in secondary and developing markets, with an enhanced effort placed on specific market/product matches that offer the most growth potential.

2. Latin America

The CTC marketing program in Latin America operates as a sub-committee of the Europe/Latin America program and focuses largely on Mexico, with continued efforts in Brazil. Mexico continues to represent a high potential market to Canada with 150,000 overnight trips to Canada in 2001. Overnight receipts from Mexico have almost tripled over the last five years, growing from \$66 million in 1995 to \$195 million in 2001.

Latin America has been included in the Europe/Latin America program rather than an expanded 'Americas' program, because Latin American advertising and purchasing practices more closely resemble European behaviour models than U.S. models.

To seize growth opportunity in Latin America, the CTC will:

- develop an enhanced comprehensive marketing program in Mexico, with emphasis on working in close partnership with the trade to develop a complete line of Canadian product offerings, and
- work with media to garner as much exposure as possible for Canada as a travel destination.

Asia/Pacific Marketing

In 2001, Asia/Pacific residents comprised over 1.3 million overnight trips to Canada, generating \$1.8 billion in foreign exchange earnings. This figure represents 14 per cent of Canada's overnight international receipts. More than two-thirds (67%) of

overnight receipts from Asia/Pacific originate in four markets: Japan (31%), South Korea (13%), Australia (12%), and Taiwan (11%).

In Asia/Pacific, Canada has been faced with depressed demand and the loss of competitive position. Japan's economic performance continues to indicate that it is in the grip of an economic recession. They continue to be very sensitive to prices and concerned about safety, particularly with the 45 plus age group, in light of the September 11th events. These issues and air access are three key impediments to growth for Canada, which are being addressed. After two consecutive years of strong growth, Taiwan also experienced an economic slowdown, which had a negative impact on international outbound travellers from Taiwan. The economy is projected to recover, thus Canada's performance is expected to improve. South Korea has performed well and growth is forecasted to continue. The Australian economy slowed noticeably in 2001, following four years of strong growth. The outlook through 2005 is for a return to more robust growth, which will stimulate growth in long-haul travel.

For 2003 it is forecasted the Asia/Pacific market overall will enjoy a 6 per cent increase in trips and 10 per cent increase in spending.

The potential of the Asia/Pacific region is associated with a series of political and economic factors that will shape its tourism demand over the long run. The most significant risk factors are related to the restructuring of the Japanese economy, the continued emergence of China as an economic player, and the ability of Canada to provide competitively priced packages with appropriate air access.

Over the next three years, Canada's marketing program in Asia/Pacific will:

- maintain emphasis on Japan, along with a strong marketing presence in Taiwan, Australia, South Korea and Hong Kong. Continue current investment level in China, pending ADS attainment. In 2003, the total funding in all markets will be evaluated with a view to adjusting levels for maximizing growth potential and return on investment from 2004 forward, including a thorough review of New Zealand and Southeast Asia.
- launch new tactical core advertising campaign in Japan and continue to monitor the effectiveness of campaign.
- undertake an appropriate refocusing of seasonal emphasis by market and adjust promotional weighting to help regain market share.
- direct efforts at obtaining approved destination status (ADS) from China (without ADS, countries are not permitted to advertise tourism products in China). There are still structural impediments in Canada that remain to be resolved relative to increased Chinese visitation.
- expand efforts on experiential marketing and build upon the strong image of Canada as a "active nature" destination for established markets and continue to increase awareness as a four season destination for developing markets.

- expand promotional efforts through website/Internet based on results of appropriate research, and
- achieve modestly increased partner contributions to the program.

Meetings, Conventions and Incentive Travel Marketing (MC&IT)

Travel to and within Canada for the purpose of business generates approximately 19 per cent of total revenue each year. The U.S. market represents 13.0 per cent of this figure, the overseas market 6 per cent. Return from this lucrative, high-yield market accounts for 6 per cent of the CTC's total marketing and sales budget.

For 2003, the target for MC&IT market globally is 2.0 per cent increase in trips and 5.5 per cent increase in spending.

United States

In 2001, close to 2.3 million travellers from the U.S. made overnight business trips to Canada, generating over \$1.6 billion in receipts. These figures represent a drop of approximately 8 per cent compared to the previous year.

The decline in business travel from the U.S. predates the events of September 11, 2001. The collapse of the Internet/high-tech bubble and the over-investment in telecommunications equipment meant that corporate profits were already falling up to that date. The terrorist attacks exacerbated a poor situation and encouraged companies to shed the jobs they had been hoarding in expectation of a turnaround in the economy.

Through the first six months of 2001, travel to Canada was down 4.1 per cent compared to the same period in 2000. The decline was led by a 6.8 per cent decrease in meetings and a 12 per cent drop in other business travel-both pre-September figures. Travel for conventions bucked the trend finishing the year up 11.2 per cent.

Although the U.S. economy picked-up in the first quarter of 2002 - largely due to consumer and government spending-corporate profits and spending remain soft. This means fewer business meetings are being planned. If they are, these meetings are taking place closer to home. Preliminary research indicates that this stems not from a reluctance to travel but from a desire to save costs.

The CTC and its partners, therefore, must strongly communicate, through their marketing activities, the high quality of Canadian travel products and services, the outstanding value offered by Canada, and Canada's high degree of safety and security.

The strategy for the U.S. market remains raising the awareness of Canada in partnership with the industry, and developing and strengthening new business relationships with U.S. planners. The three key market segments are association meetings and conventions, corporate meetings, and incentive travel.

Overseas

In 2001, it is estimated that overseas visitors made 694,900 business trips to Canada, spending over \$775 million. Forty-six per cent of these trips originated in Europe; 43 per cent in Asia. Fifty-three per cent of overseas travellers came for a meeting, 36 per cent attended conventions and seminars, and 11 per cent travelled for other business-related reasons.

The increased international appeal and credibility of Canada as a destination, combined with the overall growth of world business travel, provides Canada with many current and new opportunities in key international markets. Canada's competitors, however, have the same opportunities. Therefore, a strategic response to preserve existing market position in the short-term and ensure mid- to long-term growth is required.

Aggressive positioning of Canada as a new and unique M&IT travel product or experience with traditional and non-traditional partners represents the most effective strategic response. This method has been successful in the U.S. and with non-traditional partners in Europe. By marketing Canada as an international-meeting and incentive-travel opportunity, Canada can also extend its existing branding and credibility.

The overseas portion of the MC&IT plan will focus on the following objectives:

- Develop an industry-supported operational plan that exploits potential international MC&IT market opportunities;
- Position Canada as a meeting and incentive-travel destination with business travellers in the United Kingdom (primary), France and Germany (subject to resources);
- Deliver increased visitor receipts from international-meeting and incentive-travel customers; and
- Develop new meeting and incentive-travel industry partnership opportunities where industry investment matches or exceeds CTC core investment.

Canada Incentive

The CTC has pursued the incentive-travel market solely in the U.S. and Europe. With technological advancements and shifts in the marketplace due to international trade agreements, business has become global. In other words, more and more companies now have offices and staff both across Canada and around the world.

Also, with an international money market that pegs most currencies to the U.S. dollar, "shopping @ home" has become a reality. Furthermore, Canada is being rediscovered, with certain destinations such as Whistler, Tremblant, and Banff continuing to be trendy for international travellers. Canadian corporations, therefore, now look at domestic destinations and not strictly sun, surf, and sand.

The increased appeal and credibility of Canada as a destination, combined with the overall growth in domestic business travel, gives the Canadian tourism industry a window on many new opportunities. Moreover, by promoting Canada as a domestic incentive-travel opportunity and alternative to costly foreign destinations, the Canadian tourism industry can also extend its branding and credibility as a four-season destination for both work and play.

In 2003, the domestic incentive portion of the MC&IT marketing plan will strive to:

- Develop an industry-supported operational plan that exploits potential domestic incentive-travel market opportunities;
- Position Canada as a domestic incentive-travel destination in high-yield business sectors such as medical, pharmaceutical, banking, and insurance;
- Establish a Canadian corporate "champion" to highlight the positive returns of using Canada as an incentive destination;
- Deliver increased visitor receipts from domestic incentive-travel customers contributing to a lower travel deficit; and
- Develop new incentive-travel industry partnership opportunities where industry investment either matches or exceeds CTC core investment.

E-Marketing

The Canadian tourism industry needs a strong and competitive national Internet marketing presence in order to keep pace with the explosion in demand for online travel researching and booking. While the CTC's internet presence several years ago was leading edge, the level of direct investment and human resources required to maintain its competitiveness has not kept pace with the industry. As well, in order to efficiently communicate with the tourism industry in Canada, the CTC must focus on improving its online corporate web site and tourism exchange (CTX).

In order to fully understand the challenges and opportunities of e-marketing in the tourism industry, the CTC engaged a technology committee comprised of e-marketing experts. Their recommendations, tabled in an E-Strategy Report, included engaging a director of e-marketing to provide direct accountability and responsibility for both the consumer and industry websites at the CTC as well as a budget and blueprint to move forward on implementing the strategy.

Since 2000, the value North American consumers' place on the internet to research, plan and book travel has exploded. Travellers are becoming increasingly comfortable with the routines of searching and booking travel on the internet. Travel web sites such as Expedia, Travelocity and Orbitz are seeing double digit monthly growth in visitation. Air Canada's Destina.ca web site, launched in April of 2002, was created as a

direct response to take advantage of online travel bookings expected to reach \$4.5 billion in Canada by 2005.

Another shift is the emergence worldwide of internet penetration and subsequent use for researching travel and tourism. More than 40 per cent of consumers in the UK, Netherlands, Australia, Taiwan, Hong Kong and Japan have access to the internet. As a result, the CTC must exploit the internet in these major markets with a web site that is localized to meet the language and cultural requirements of those markets.

In 2003, the e-marketing strategy will strive to:

- Focus on the consumer web presence and develop and maintain a state-of-the-art web presence for Canada, the US, the UK, France, Australia, Germany and Japan and other major markets around the world. The objective of the web site is to inspire and compel travellers to choose Canada as a premiere destination, often in competition with other destinations.
- Integrate the web site and e-marketing into all core marketing programs throughout the CTC and increase the use of email newsletters and database marketing to more effectively market to its customers
- Communicate and market the web sites to ensure maximum visibility
- Develop benchmarking and reporting to further enhance e-marketing programs and measure the contribution of e-marketing to the CTC's overall marketing efforts.
- Develop online industry communications programs and integrate offline programs to increase the awareness of the features and benefits of the CTC's corporate site, and to encourage frequent visits and subscriptions to its industry programs.

Information Services Programs

Industry Development

The Industry Development Program will continue to work with industry associations, the public sector, and other tourism stakeholders to identify priority issues, address factors identified by the industry, and determine which barriers, still exist on a multi-regional or national level. Specifically, the Industry Development Program will:

- monitor and analyse trends and developments in fiscal, tax, and regulatory frameworks affecting the Canadian tourism industry,
- research issues affecting tourism competitiveness and survey stakeholders,
- network with Canadian governments, industry associations, and other organisations to address issues that affect the Canadian tourism industry,

- develop "tool kits" on issues such as insurance, access to financing, sustainability and technology, air transportation, and human resources, and
- assist the industry to develop standards and meet international benchmarks for service expected by international visitors.

An emerging issue that has been brought to the forefront recently is North American perimeter border controls. The CTC will monitor the implementation of the recommendation of the study conducted in partnership with private sector on the subject in 2002.

Research

The CTC research group will continue to work in partnership with private and public organisations in Canada and around the world to improve access to tourism research and quality tourism information and data. The group will develop and organise data in meaningful ways to increase its value to the industry and governments.

The combination of a corporate research program and industry, product, and market research will help fulfill a number of strategic needs. The group will help to underline the importance of tourism to the Canadian economy by developing tools that provide on-going tracking of the performance of the industry, and describe market trends, profiles, and shifts in Canada's key markets.

Under the leadership of the Strategic Futures Ad Hoc Committee, the research group will also focus on developing long-term strategic information related to industry development, policy, infrastructure, investment issues, and trends.

Over the next three years, the research program will:

- become the world leader in partnership-based tourism market and industry research,
- provide information to influence key external factors limiting the growth of the Canadian tourism sector,
- develop a new strategic alliance with academic institutions, expanding the critical mass of research resources available to the industry, as well as linking its research program with new government-wide policy research priorities and new strategic funds directed at improving Canada's knowledge-based economy and industry-academic partnerships in general, and
- provide virtual access to a national inventory of research and data assets.

Technology Program

Strategic use of technology is one of the best means to raise awareness of the CTC and to bring this diverse industry of more than 150,000 businesses and hundreds of government agencies and trade associations together to create synergy from co-ordinated action.

- These challenges and others such as supporting our two websites and connecting our sales force around the world led the CTC to focus on building an efficient and reliable technology infrastructure.

Technology Empowerment:

- CTC staff must become more knowledgeable about the capabilities and power of the Internet and other technologies and software to incorporate them as tools in the workplace. Staff must be trained and given greater exposure to these technologies.
 - The CTC must use every tool at its disposal to keep and preserve employees' corporate memory and continue to build an organization that can anticipate, innovate and create new knowledge and electronic applications.
- The CTC must create better tools and applications to meet requirements for internal communications and managing knowledge such as: human resources, partner contributions, sales information, expert contacts, etc.

Communications Program

The Communications group will continue to support the Corporation's strategic and operational objectives. Specifically, the CTC's desire to position itself in the marketplace in order to enhance the competitiveness of the tourism industry will drive the activities and outputs of the Communications group.

For the 2003-2005 period, the Communications group will seek to establish and foster internal and external relationship channels to strengthen the communications of key messages, to identify new and improve existing relationship partnerships, and to leverage and develop new tactical opportunities.

Media Relations:

The Communications group will continue to develop media relations that are both active (editorial outreach, interviews, information releases, tourism economic forecasting, etc) and reactive to ongoing and emerging issues, programs and initiatives.

Publishing:

The Communications group will continue to produce publications to better inform the tourism industry and consumers of the activities and initiatives of the CTC. For the 2003-2005 period, the Communications group will work to improve the revenues, editorial content and distribution channels of its corporate communications publications (e.g., Canada's Travel Tips, TOURISM, Canada's Tourism Monthly) to better respond to the information needs of the industry and consumers in a cost-effective manner.

10. New Roads to Explore

Setting Out on New Initiatives

The CTC has identified three new initiatives to be implemented or strengthened in response to immediate challenges and to improve the long-term economic sustainability of the Canadian tourism industry.

Building new markets

1. Media and Public Relations

Media and public relations will continue to be emphasized throughout 2003. Utilizing events and attractions, an overall umbrella theme will be built and the media and public relations will then reinforce and magnify the impact of this theme on the market. Rather than one mega theme across all four seasons, selected various events and attractions will provide the tactical basis for selecting permanent themes which will be reinforced by unpaid media throughout the year.

The thrust of the awareness campaign will be experiential. It will reinforce the strongest of our five product clusters, as determined by product portfolio analysis. Implicitly, it will reflect the safety, security, and cleanliness of Canada. If possible, it will be partnered with traditional and a non-traditional partners.

While media and public relations have significant impact, television still is the best and quickest medium to raise awareness, but its reach is offset by its comparative expense. As such, incremental funds are crucial to this initiative, as any real impact would be impossible given present levels of funding.

2. Secondary Markets

The CTC must take a leadership position in a limited number of emerging major international markets where there is a business case to proceed, to ensure a sustainable future for Canadian tourism. The marketing efforts of the CTC will be dedicated to increasing penetration and maximizing ROI in appropriate markets. Because of the risk associated with the development of such markets, the initial phase of market development would be supported by a CTC investment without partnership support. Partnership levels should increase over time, however, no market will be considered that does not have partnership potential.

In the U.S. leisure market, a demographic shift has led to the emergence of new market development opportunities, particularly in the Pacific Northwest and Southeast regions. The CTC will enrich its marketing program and increase Canada's penetration of these markets. Currently, the CTC has virtually no presence in these markets. A shift of resources must be considered to tap the full potential of these markets.

The Market Portfolio Analysis model will be used to evaluate the potential of emerging markets and determine the priority of each in terms of CTC marketing investment. We are concerned about the ability of New Zealand and South East Asia to contribute to ROI, as growth there is not expected to be significant relative to other opportunities.

The CTC intends to work with Foreign Affairs and International Trade Canada, along with Canada's embassies, high commissions, consulates, and trade offices to fulfill our mandate in countries where we cannot afford programs and staffing. This program will use websites, our "Travel Tips" brochure, and trade contacts to develop partnership opportunities with potential non-traditional partners who may be operating in these markets.

Knowing what visitors/industry want and need

Enhanced Research Capabilities

An enhanced research program designed to better understand our customer in major markets will be undertaken given the availability of funding. The research program will be revisited and enhanced with the additional aim of developing a new strategic alliance with academic institutions. This will expand the critical mass of research resources available to the industry and link the research program to new government-wide policy research priorities and new strategic funds directed to improve Canada's knowledge-based economy.

This initiative would be totally dependent on the injection of new permanent funds into the CTC as it is a major long-term commitment with universities across the country.

11. Paying for the Trip

A Responsible Budget

The budget allocations of the CTC proposed for 2003-2005 must reflect the new program directions and priorities set out in this plan. The implementation of this plan will take place only in 2003. On this basis, new budget proposed allocations will be applicable to the last three years of the period, i.e., 2003 and 2005.

In determining pro-forma budgets for 2003 and 2005, a set of underlying assumptions is used. For the next three years, the CTC will receive an annual contribution of \$83.7 million from the federal government. Of this total, two items must be subtracted: \$11.8 million for office and administration costs and for capital (furniture, equipment, software, and licenses). This leaves an operations budget of \$71.9 million to be distributed among program activities. It will not be feasible to fund all new initiatives within the forecast budget allocations. Some of them will be initiated only if the federal contribution to the CTC is increased.

To address budget allocations for 2003 and 2005, two potential scenarios are to be considered. Scenario 1 is the status quo of federal contributions to the CTC, i.e., an annual operations budget of \$71.9 million. Scenario 2 is an increased contribution by the federal government of \$25 million to raise the CTC operations budget to approximately \$100 million. This increase would be allocated to new initiatives on media

and public relations, television advertisement, as well as emerging secondary markets where there is a business case to proceed with investment. In addition, funds would be available to enrich the Research Program including the establishment of an academic tourist research network.

In order to reflect the mandate of the CTC, the budget is allocated consistent with the two major roles of the CTC – selling Canada as a top-of-mind international destination and providing the Canadian tourism industry with strategic information to facilitate and improve decision-making.

Marketing and Sales	\$65.9 million
Information services	\$ 6.0 million

Additional funds will be provided for the Research Program to enhance efforts in market, industry and product research.

The resources allocations to undertake all new initiatives with the exception of television advertising, events/promotions marketing and the establishment of the academic research network are funded within each appropriate program.

Given these considerations, the budget allocations including respective staff costs for 2003 would be as follows:

Marketing & Sales	\$65.9M*
US*	\$21.8M
MC&IT*	\$ 6.3M
Europe/Latin America*	\$13.8M
Asia/Pacific*	\$12.2M
Canada*	\$ 5.8M
Product Development	\$ 3.2M
E-Marketing	\$ 2.0M
Business Development	\$ 0.2M
Special Events	\$ 0.3M
Global Initiatives	\$ 1.9M
Niche Product Marketing Task Force	\$ 0.3M

* Includes market research budgets.

Information Services	\$ 6.0M
Research	\$ 3.9M
Industry development	\$ 0.4M
Communications	\$ 1.2M
Reference Library & Publishing & distribution	\$ 0.5M

Although these are the Program Budgets, efficiencies remain to be found in the amounts of \$1.1 million for Marketing & Sales and \$0.9 million for the rest of the CTC. Those efficiencies will be found in order to reach the total of \$65.9M*.

CTC Operating and Capital Budget
for the year ended December 31, 2003 (\$ thousands)

	2002	2003
Operating and Capital Costs:		
Marketing & Sales	\$ 81,438	\$ 65,903
Information Services	5,743	6,026
Corporate Services	10,831	11,332
Capital	650	450
	98,662	83,711
Partnership Expenditures	9,800	10,180
Total Expenditures	108,462	93,891
Funded by:		
Partnership Income*	9,800	10,180
Parliamentary Appropriations	98,662	83,711
Total Funding	\$ 108,462	\$ 93,891

12. Performance Indicators

There are a series of indicators which measure the degree of success achieved by the CTC in fulfilling both the tourism industry vision and mission, and its own vision and mission. A number are reported below.

The first order of indicators deals with the overall tourism industry performance. There are a number of exogenous variables that can affect the profitability of the industry for measurement purposes. The focus will be on the following indicators:

Industry Measurables

1. return on investment
2. a) share of revenue
b) market share.
3. average spending (per trip and per night)
4. growth in tourism overnight receipts and trips
5. revenue forecasts
6. capacity utilisation (seasonal distribution)
7. market penetration for selected product niches

8. a) increased product offerings.
b) increased package offerings.

A second order of indicators will measure corporate accomplishments and the CTC ability to respond to challenges and service its clients. In this area, performance indicators will focus on:

CTC Measurables

1. return on investment
2. industry partnership participation
3. industry support for programs
4. partner satisfaction
5. employee satisfaction
6. overhead cost management.

Other areas where performance will be monitored include effectiveness of individual programs and business units, and outputs of marketing activities.

Where we are: Domestic Program – Inter-Provincial Travel

Despite a global economic slowdown that was further weakened with the tragedies of September 11, Canada's travel performance was not severely affected in 2001. The 2001 targets for receipts was exceeded by 8.3 per cent whereas overnight trips were surpassed by 11.1%. The domestic travel yield improved as the average spending was 9.0 per cent above

2000. Over the five- year period, the average spending however declined by 17.5 per cent. Despite higher yield results in 2001, the domestic travel share of overall receipts dropped significantly by 11.9 per cent since 1996. Summer (July - September) continues to be the peak travel period for domestic travellers. In our efforts to make Canada a four-season destination, our marketing initiatives proved to be very successful in the winter season (Jan - March), increasing by 19.8 per cent in 2001, a shift primarily from the other seasons.

2001 Performance Indicators Domestic Program – Inter-provincial Travel

	2001	01/00	01/96
Overnight Receipts (\$B) *	\$8.4	+1.6%	+35.7%
Above/Below Target	+8.3%	-	-
Overnight Trips (000')	15,859	+2.6%	+21.9%
Above/Below Target	+11.1%	-	-
Share of Overall overnight Receipts	39.1%	+3.5%	-11.7%
Spending Per Trip	\$533	-0.9%	+11.5%
Proportion of Receipts by Seasons			
Jan – March	20.0%	+19.8%	-4.3%
April – June	22.6%	-1.3%	-1.3%
July – September	35.8%	-3.8%	+1.7%
Oct – December	21.4%	-7.0%	+1.9%

* CTC estimates from National Tourism Indicators and Canadian Tourism Research Institute demand forecasting models due to absence of accepted Canadian Travel Survey data.

U.S.

2001 proved to be a very successful year for the U.S. market to Canada. In spite of a global economic slowdown that initiated in the U.S. and the tragedies of September 11, Canada's performance in the U.S. market improved remarkably in 2001. The 2001 target for receipts was exceeded by \$920 million (16.6%) and overnight trips surpassed by 646,850 (5.1%). Spurred by a favorable exchange rate, the U.S. yield improved with its average spending 10.7 per cent above 2000. Since 1996, the average spending has increased by 36.7 per cent, suggesting

that our marketing program is effective in attracting high yield travellers. Coupled with improved yield results, the 2001 U.S. share of international receipts increased by 14.8 per cent over 1996. Summer continues to be the peak travel period for Americans. However, our marketing efforts to make Canada a four-season destination appear to be successful in the winter (Jan - March) and fall (Oct - December), each increasing by 20.0 per cent and 10.4 per cent since 1996, a shift primarily from the summer (July - Sept), declining by 5.3 per cent.

2001 Performance Indicators U.S.

	2001	01/00	01/96
Overnight Receipts (\$B)	\$6.47	+14.3%	+65.4%
Above/Below Target	+16.6%	-	-
Overnight Trips ('000')	13,252	+3.0%	+21.1%
Above/Below Target	+5.1%	-	-
Share of Overall Receipts	49%	+8.2%	+14.8%
Spending Per Trip	\$488	+10.7%	+36.7%
Proportion of Receipts by Seasons			
Jan - March	11.4%	+2.7%	+20.0%
April - June	25.5%	-2.4%	-2.3%
July - September	48.2%	-2.6%	-5.3%
Oct - December	14.9%	+2.8%	+10.4%

U.S. MC&IT

2001 proved to be a difficult year for the U.S. MC & IT market to Canada. With the global economic slowdown that initiated in the U.S. and the tragedies of September 11, Canada's performance in the U.S. MC & IT market deteriorated in 2001. The 2001 receipts target was not met by \$200 million (-11.0%), while the overnight trips target was short by 134,000 (-5.6%). The U.S. MC & IT yield declined with an average spending 5.2 per cent below 2000. However, over the five-year period, the

average spending yield increased by 15.7 per cent, suggesting that our marketing program is effective in attracting higher yield business travellers. Coupled with a lower yield, the 2001 U.S. MC & IT share of international receipts dropped by 12.7 per cent over 2000. January-March continues to be the peak travel period for business travel. In our efforts to make Canada a four-season destination, our marketing initiatives proved to be successful in all seasons, increasing by 30.5 per cent since 1996, a shift primarily from the summer.

2001 Performance Indicators U.S. MC & IT

	2001	01/00	01/96
Overnight Receipts (\$B)	\$1.63	-8.8%	+31.6%
Above/Below Target	-11.0%	-	-
Overnight Trips ('000')	2,227	-3.4%	+15.6%
Above/Below Target	-5.6%	-	-
Share of Overall Receipts	12.4%	-12.7%	-8.1%
Spending Per Trip	\$714	-5.2%	+13.7%
Proportion of Receipts by Seasons			
Jan - March	33.8%	+21.6%	+30.5%
April - June	20.3%	+4.1%	+0.4%
July - September	28.4%	-8.4%	-5.2%
Oct - December	17.6%	-19.3%	+4.4%

Europe/Latin America

Spurred by a global economic slowdown that was further weakened with the tragedies of September 11, Canada's performance in the European/Latin America markets deteriorated in 2001. The 2001 targets for receipts were not met by \$4.0 million (-1.2%) whereas overnight trips were short by 87,200 (-3.3%). Despite a poorer performance, the European/Latin America yield was not affected as the average spending was 3.8 per cent above 2000. Over the five-year

period, the average spending has increased by 17.6 per cent, suggesting that our marketing program is effective in attracting higher yield travellers. Despite higher yield results in 2001, the European/Latin America share of international receipts has dropped by 14.1 per cent since 1996. Summer (July - September) continues to be the peak travel period for Europeans and Latin Americans. In our efforts to make Canada a four-season destination, our marketing initiatives proved to be successful in the winter season (Jan - March), increasing by 29.2 per cent since 1996.

2001 Performance Indicators Europe/Latin America

	2001	01/00	01/96
Overnight Receipts (\$B)	\$3.28	-1.5%	24.6%
Above/Below Target	-1.2%	-	-
Overnight Trips ('000')	2,727.5	-5.2%	4.7%
Above/Below Target	-3.3%	-	-
Share of Overall Receipts	25%	-3.8%	-14.1%
Spending Per Trip	\$1,188	3.8%	17.6%
Proportion of Receipts by Seasons			
Jan - March	13.7%	7.0%	29.2%
April - June	26.1%	-3.3%	-3.3%
July - September	47.2%	5.6%	0.9%
Oct - December	15.6%	-4.4%	-

Asia/Pacific

Despite a global economic slowdown that was further weakened with the tragedies of September 11, Canada's performance in the Asia/Pacific markets improved in 2001. The 2001 targets for receipts exceeded by \$140.0 million (+8.6%) whereas overnight trips were surpassed by a modest 2,000 trips (+1.5%). Spurred by favorable exchange rates, the Asia/Pacific yield improved as the average spending was 8.1 per cent above 2000. Over the five-year period, the average spending has

increased by 27.6 per cent, suggesting that our marketing program is very effective in attracting higher yield travellers. Despite higher yield results in 2001, the Asia/Pacific share of international receipts dropped significantly by 24.2 per cent since 1996. Summer (July - September) continues to be the peak travel period for travellers from the Asia/Pacific region. In our efforts to make Canada a four-season destination, our marketing initiatives proved to be successful in the winter season (Jan - March), increasing by 34.6 per cent since 1996, a shift primarily from the summer and the fall.

2001 Performance Indicators Asia/Pacific

	2001	01/00	01/96
Overnight Receipts (\$B)	\$1.77	-0.4%	-3.8%
Above/Below Target	+8.6%	-	-
Overnight Trips ('000')	1,313.9	-9.5%	-18.2%
Above/Below Target	+1.5%	-	-
Share of Overall Receipts	13.5%	-4.9%	-24.2%
Spending Per Trip	\$1,346	+8.1%	+27.6%
Proportion of Receipts by Seasons			
Jan - March	17.1%	27.6%	+34.6%
April - June	28.8%	4.7%	-3.6%
July - September	40.1%	2.8%	1.6%
Oct - December	14.0%	-4.4%	-1.8%

2001-2005 CTC Revenue Targets*

	2001 (M\$)	2002 (M\$)	2003 (M\$)	2004 (M\$)	2005 (M\$)	2001-2005 Difference (M\$)
U.S.	6,470	6,775	7,160	7,554	7,910	1,440
% chg.	14.3	4.7	5.7	5.5	4.7	
Canada (Interprovincial)	8,448	8,701	9,058	9,493	9,728	1,280
% chg.	1.6	3.0	4.1	4.8	2.5	
U.S. MC&IT	1,626	1,610	1,698	1,792	1,881	374
% chg.	-8.8	-1.0	5.5	5.5	5.0	
Europe/L. Amer.	3,242	3,380	3,601	3,865	4,166	924
% chg.	-1.5	4.2	6.6	7.3	7.8	
United Kingdom	985	1,024	1,078	1,142	1,227	242
% chg.	-1.9	4.0	5.2	5.9	7.5	
France	440	444	468	499	534	94
% chg.	5.1	1.0	5.5	6.5	7.0	
Germany	429	447	472	505	535	106
% chg.	3.9	4.2	5.5	7.0	6.0	
The Netherlands	153	157	167	178	189	36
% chg.	4.2	3.0	6.0	7.0	6.0	
Italy	138	145	158	170	182	44
% chg.	3.6	5.0	9.0	8.0	7.0	
Mexico	195	218	251	288	331	136
% chg.	8.1	12.0	15.0	15.0	15.0	
Brazil	52	54	59	64	68	16
% chg.	-5.3	3.0	10.0	7.5	6.5	
Switzerland	168	171	176	185	194	26
% chg.	15.6	2.0	3.0	5.0	5.0	
Asia/Pacific	1,769	1,836	2,018	2,206	2,420	651
% chg.	0.4	3.8	9.9	9.3	9.7	
Japan	542	542	574	614	663	121
% chg.	-5.5	0	6.0	7.0	8.0	
Taiwan	197	209	239	265	294	97
% chg.	-19.8	6.0	14.0	11.0	11.0	
South Korea	236	245	275	305	336	100
% chg.	34.8	4.0	12.0	11.0	10.0	
Hong Kong	167	171	195	216	242	75
% chg.	23.5	2.0	14.0	11.0	12.0	
China	137	154	177	199	227	90
% chg.	24.5	13.0	15.0	12.0	14.0	
SE Asia	106	113	125	137	147	41
% chg.	8.1	6.5	11.0	10.0	7.0	
Australia	216	227	240	257	278	62
% chg.	-3.8	5.0	6.0	7.0	8.0	
New Zealand	32	34	37	40	44	12
% chg.	-25.4	6.5	9.0	10.0	10.0	

*Targets include business meetings, conventions and incentive travel for all markets other than U.S.

Overall industry partnership participation which is reflected in the number of partners per year has been growing since 1999. However, there are a number of programs such as US Leisure, South America and Research which have fluctuated.

Industry Partnership Participation 1999 - 2001

CTC Partners by Program Area	1999	2000	2001
U.S.	591	480	558
Europe	369	328	409
Asia/Pacific	199	240	258
MC&IT	150	163	192
Product Development	189	174	187
Latin America	158	150	133
Canada	113	151	96
Research	34	44	19

This is the number of partners each Region/Program used in the calendar years mentioned.

NOTE: These numbers are for partners who have been used at least once in the region.

Industry support by program reflected in the dollar amounts of partner funding has for the most part maintained the required 1:1 ratio.

Industry Support by Program (Partner Funding)

Program	1999	Ratio	2000	Ratio	2001	Ratio
United States	27,252.00	1.5:1	26,305.10	1.4:1	43,976.80	2.1
Europe	17,210.60	1.7:1	15,075.80	1.4:1	16,010.10	1.2:1
Asia/Pacific	9,332.40	1:1	9,803.40	1:1	8,150.70	.7:1
Latin America	2,153.30	2.4:1	750.80	1:1	679.00	n/a
Canada	12,699.30	2.8:1	7,000.70	1.3:1	2,814.20	.4:1
MC&IT	4,445.50	1:1	4,367.00	1.1:1	5,893.50	1.1:1
Product Development	3,547.90	1.4:1	2,423.90	1.1:1	2,085.85	1.2:1
Corporate Services	0.00		0.00		0.00	
Research	4,684.0	1.8:1	4,266.0	1.7:1	2,888.80	.8:1
TOTAL	76,641.00		67,079.80		80,413.10	

Ratio in Partner Funds to Budget

Where we are going:

Where we want the industry to be in 2005 compared to 2001

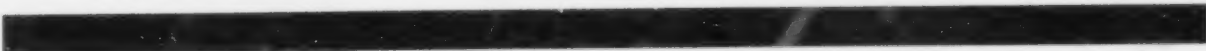
	Canada Interprovincial	US	MC & IT* International	Europe/ Latin America	Asia/ Pacific
Overnight receipts	+ 15.8%	+ 22.5%	+ 24.8%	+ 28.3%	+ 26.2%
	+ \$1,276M	+ \$1,455M	+ 650M	+ \$766M	+ \$343M
Overnight trips	+5.6%	+ 9.3%	+ 10.5%	+ 16.5%	+ 15.5%
	+818,000	+1,237,500	+ 310,700	+ 383,400	+ 157,300
Market share	To be determined**				
Share of revenue	To be determined**				
Spending per trip	\$550/trip	\$557/trip	\$949/trip	\$1,306/trip	\$1,419/trip
Overnight receipts in QIV & QI	+ 17.3%		For all international markets:		
	+ \$592M		+ 16.4%		
			+ \$489M		
Overnight trips in market niches	Targets to be set based on data availability				
Increased product and package offerings	Number of new product and package offerings will be evaluated against key markets				

* Includes business meetings, incentive and convention travel for all markets.

** Requires the development of a different approach to market analysis.



Annex



CTC Partnership Policy

Objective

The Canadian Tourism Commission (CTC) receives its core funding from the federal government with the goal of partnering with other third-parties in order to more effectively achieve its mandate. These partnerships are reflected in mutual agreements and this policy describes the basis upon which these partnerships are to be approved, managed and valued

Authority

The Board of Directors of the Canadian Tourism Commission have set seven key corporate objectives within which partnerships are developed:

- sustain a vibrant and profitable tourism industry,
- market Canada as a desirable tourist destination,
- build a strong Canada brand in domestic and international market places,
- assist the Canadian tourism industry to develop products and services that satisfy international demands,
- support a co-operative relationship between the private sector and federal, provincial, and territorial governments in Canada with respect to Canadian Tourism,
- provide information about Canadian tourism to the private sector and federal, provincial and territorial governments in Canada, and
- use its research capability and in-market staff to provide information on global markets to the Canadian tourism industry.

Partnership Agreements must be approved in accordance with the CTC Delegation of Authorities.

Definitions

- a) Partnership Agreements are arrangements in which two or more parties negotiate investments and are prepared to share the risks and benefits of achieving a common goal. These agreements may take the form of formal contractual agreements or letters of agreement between respective partners.

A partnership, by definition, involves mutual investments by parties in cash and/or in-kind. A partnership is not a grant, subsidy or top-up program. A partnership is also different than a contract with a third-party for goods or services (see CTC Goods and Services Contract policy), the terms of which are not applicable to this policy.

- b) CTC's use of the term Partnership does not imply "joint and several liability" for conduct engaged in by one or more of the participants to the agreement.

- c) Nature of Partnerships:

Investments in a partnership among parties may include both cash and "in-kind". While cash investments are readily measurable, "in-kind" investments need clear definition and valuation. See section 2.13.5 in this regard.

The recognition and the valuation of a partnership is based upon the respective agreement between the CTC and the third-parties. Sound judgement will be used by management in negotiating such agreements and their valuation. Factors that do not alter the recognition or the valuation of a partnership include:

- 1) The mix of cash and in-kind in the partnership,
- 2) The choice of banker by partnership or the direction of cash flow among parties,
- 3) The nature of the organization in the partnership (e.g. private sector, not for profit, government etc.)

Partnership Objective

Each year the CTC Board of Directors will establish an overall Partnership Objective for the organization. This objective will represent the total level of cash and in-kind targeted to be matched by third-parties through partnerships.

In determining this annual objective, the Board of Directors will take into account:

- a) The level of annual on-going funding provided to the CTC by the Federal Government minus non-partnerable programs
- b) Exclusions from this Partnership Objective are permitted but not limited to special circumstances such as one time funding initiatives and special events (e.g. Olympics).

In its Annual Report the CTC will report on its performance relative to the Partnership Objective of the previous year.

Definition and Valuation of "In-Kind"

"In-Kind" contributions to partnerships are both standard in the tourism industry and represent a tangible and measurable value.

The value of these in-kind contributions needs to be consistently recorded across all markets and programs of the CTC and reflect a fair market value. On an annual basis the CTC will issue a schedule of industry standard costs that will be applied to arrive at in-kind valuations. These standard costs will relate to in-kind goods and services such as transportation, accommodation, media etc.

Requirements

1. For any project, the full value of all expected cash and in-kind contributions must be estimated and no funds should be disbursed by the CTC until the project is authorized by a CTC employee with the designated signing authority.
2. CTC's funding of a third party administered project should be supported by an invoice or in certain cases, a formal written statement of value from the partner or a recognized third party. This invoice should reference the approved CTC project.
3. Goods and services expenditures arising from a partnership agreement administered and controlled by CTC should be managed in accordance with the CTC Goods and Services Contract Policy. In the situation that one or more of the non-CTC partners to the agreement have a business case for directing a contract (arising from the partnership contract) to a specific qualified contractor, the subsequent contract will be considered to have been competitively awarded.

Reporting

The Chief Financial Officer will issue an annual schedule of industry standard costs as well as establish efficient accounting and reporting systems in support of this policy.

The Chief Financial Officer will provide management reports on a timely basis to track and monitor this policy.